

CITY OF WORCESTER
MASSACHUSETTS



COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2003

**CITY OF WORCESTER,
MASSACHUSETTS**

Comprehensive
Annual Financial Report

Fiscal year ended
June 30, 2003

Prepared by:
The Office of the City Auditor
City of Worcester, Massachusetts

James A. DelSignore

City Auditor

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

June 30, 2003

Table of Contents

Page

INTRODUCTORY SECTION

Letter of Transmittal	1 - 5
List of Elected and Appointed Officials	6
Organization Chart – Worcester City Government	7
Certificate of Achievement	8

FINANCIAL SECTION

Independent Auditors' Report	9 - 10
Management's Discussion and Analysis – Required Supplementary Information	11 - 24

Exhibit

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets	1	25
Statement of Activities	2	26 - 27

Fund Financial Statements:

Balance Sheet – Governmental Funds	3	28
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	4	29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	30
Statement of Net Assets – Proprietary Funds	6	31
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	7	32
Statement of Cash Flows – Proprietary Funds	8	33
Statement of Fiduciary Net Assets	9	34
Statement of Changes in Fiduciary Net Assets	10	35

Notes to the Basic Financial Statements		37 - 68
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Required Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budgetary Basis – General Fund		69 - 73
Schedules of Funding Progress and Contributions from Employers		74

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

June 30, 2003

Table of Contents

	Statement/ Schedule	Page
Supplementary Statements and Schedules:		
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	76 - 81
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) Nonmajor Governmental Funds	A-2	82 - 87
Schedules of Revenues, Expenditures and Changes in Fund Balances (Deficits)		
Airport Fund	B-1	88
Golf Course Fund	B-2	89
Sewer Fund	B-3	90
Water Fund	B-4	91
Capital Assets Used in the Operation of Governmental Funds:		
Comparative Schedule by Source	C-1	93
Schedule by Function and Activity	C-2	94 - 95
Schedule of Changes by Function and Activity	C-3	96

STATISTICAL SECTION

	Graph/ Table	
General Fund Expenditures – GAAP Basis	1	98
General Fund Expenditures – GAAP Basis – Last Ten Fiscal Years	1	99
General Fund Revenues – GAAP Basis	2	100
General Fund Revenues – GAAP Basis – Last Ten Fiscal Years	2	101
Percentage of Current Property Taxes Collected – Budgetary Basis – Last Ten Fiscal Years	3	102
Property Tax Levies and Collections – Budgetary Basis – Last Ten Fiscal Years	3	103
Assessed Valuation	4	104
Assessed and Estimated Actual Value of Taxable Property –Last Ten Fiscal Years	4	105
Property Tax Rates – Last Ten Fiscal Years	5	106
Ratio of Net Bonded Debt to Assessed Value and Net Bonded Debt Per Capita – Last Ten Fiscal Years	6	107
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Expenditures – Last Ten Fiscal Years	7	108
Property Value and Construction – Last Ten Fiscal Years	8	109
Computation of Legal Debt Margin	9	110
Principal Taxpayers	10	111
Miscellaneous Statistics	11	112 - 113

INTRODUCTORY SECTION



CITY OF WORCESTER, MASSACHUSETTS

OFFICE OF THE CITY AUDITOR

CITY HALL 01608

JAMES A. DeSIGNORE

CITY AUDITOR

THOMAS J. CLAWSON

DEPUTY CITY AUDITOR

December 2, 2003

Honorable Members
of the City Council
City of Worcester, Massachusetts:

The Comprehensive Annual Financial Report (CAFR) of the City of Worcester, Massachusetts (the City) for the year ended June 30, 2003 is presented for your review. The Auditing Department prepared the report. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been made.

In evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed their benefits. Also, the evaluation of costs and benefits requires estimates and judgments by management.

KPMG LLP, a firm of licensed certified public accountants, has audited the City's basic financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the year ended June 30, 2003 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. KPMG LLP has issued an unqualified opinion on the City of Worcester's basic financial statements for the fiscal year ended June 30, 2003. The independent auditors' report is presented as the first component of the financial section of this report.

Pursuant to the Federal Single Audit Act of 1984, the City is also required to have an annual audit of the Federal financial assistance it has received. In addition to a financial statement audit, the Single Audit Act requires that an internal control review and a compliance audit be performed in accordance with the Federal Office of Management and Budget's Circular A-133. The United States Department of Housing and Urban Development was assigned audit cognizant responsibilities. The requirements of the Single Audit Act have been met. The auditors' reports on internal control and compliance have been furnished separately to the City.

(Continued)

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Worcester's MD&A can be found immediately following the report of the independent auditors.

CITY OF WORCESTER GOVERNMENT

Worcester was incorporated as a town on June 14, 1722 and as a city on February 29, 1848 under Acts of the Commonwealth of Massachusetts (the Commonwealth), which as amended, constitute the City's charter. The City is located in the east central part of Massachusetts. It is 39 miles from Boston, 43 miles from Providence, Rhode Island and 60 miles from Hartford, Connecticut. The Towns of Holden, West Boylston, Shrewsbury, Grafton, Millbury, Auburn, Leicester and Paxton border it. The City occupies 38.44 square miles and is the third largest city in New England with a population of 172,648, according to the 2000 Federal census. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City is also empowered to levy an excise tax on motor vehicles whose owner is a resident or business located in the City.

The City has operated under the council-manager form of government since 1950. An eleven-member City Council, six of whom are elected at-large and five of whom are elected from districts, performs the legislative function and policy-making. The City Council is responsible, among other things, for passing ordinances and adopting the budget. City Council members are elected biennially.

The City Manager, appointed by the City Council, is the chief executive officer with appointive and removal authority over department heads and other employees of the City. The City Manager is responsible for the implementation of policies established by the City Council and for overseeing the day-to-day operations of the government. The City Auditor and City Clerk are elected by and are employees of the City Council.

The Mayor is the councilor who receives the highest number of votes for Mayor provided he or she is also elected as one of the six at-large councilors. The Mayor serves as presiding officer of the council and ex-officio Chairperson of the School Committee.

An elected six-member School Committee, whose members are elected biennially, has exclusive jurisdiction over the City's public school system and appoints a Superintendent to administer the system's day-to-day affairs.

The City provides a full range of services including public safety, public roads, sanitation, water, sewer, health and social services, culture, recreation, airport, education, public improvements, planning and zoning, and general administrative services. The City is also financially responsible for the legally separate City of Worcester Contributory Retirement System (WRS), Upper Blackstone Water Pollution Abatement District (the District) and Worcester Redevelopment Authority (WRA), all of which are reported within the City's basic financial statements. Additional information on these legally separate entities can be found in the notes to the basic financial statements.

All department operating and capital budget requests are required to be submitted to the City Manager by mid-January. The City Manager then reviews these requests with every department head during a series of meetings. In accordance with MGL Chapter 44, the City Manager must then submit his proposed budget within 170 days after the City Council organizes in early January. The Council is required to hold public hearings and to adopt a final budget no later than 45 days after the budget is submitted to them. Budgetary control is centralized and enforced on a statutory account basis. Statutory accounts are maintained on a departmental level and consist of salary, capital and ordinary maintenance accounts. Purchase requisitions, which would result in an overrun of an account balance, are not processed until additional appropriations

are made available. Transfers between statutory accounts within a department require a simple majority approval by the City Council and transfers from one department to another require a two-thirds majority. Open encumbrances are reported as reservations of fund balances. All expenditures are subject to a pre-audit before being processed.

Budget-to-actual comparisons for the general fund are presented on pages 69 – 73 as part of required supplementary information.

FACTORS AFFECTING FINANCIAL CONDITION

The City, with a large infusion of State and Federal assistance, is in the process of greatly enhancing its transportation access and egress. There are currently ten daily trains to Boston, and based on the demand, this service could be expanded in the near future. Additionally, construction continues to progress on a \$290 million project that will link the City's expressway to the Massachusetts Turnpike with a turnpike exit on a widened and improved Route 146. When completed, the project will provide a direct link from the turnpike to the City's Main Street. This project will also be incorporated into the Blackstone Valley Heritage Park.

In January 2000, the Massachusetts Port Authority (MassPort) took over the operation of the City's airport. This is a five-year agreement in which MassPort will also assume a share of any airport-operating deficit. During fiscal 2003, MassPort offset 100% of the operating deficit, exclusive of debt service, and will offset 100% in fiscal 2004. The agreement also states that MassPort may be willing to acquire the airport when the agreement expires provided the City allows an access road to be built to the airport either from Interstate 290 or the Massachusetts Turnpike. At present there is no agreement with MassPort beyond January 2005. The decline in the airline industry has forced MassPort to concentrate its efforts on reviving Boston's Logan Airport and there has been no progress in the development in an access road to the airport.

For the past several years Worcester has seen its employment base shift from manufacturing to services. In conjunction with that there have been several development projects related to health care and entertainment in the downtown area. Worcester has ten colleges and universities, most of which have been continually expanding. The City is also focussed on developing polluted former industrial sites called brownfields. A 25-acre site on the edge of downtown that was the former location of a drop forge operation is now being cleared by the owner for future development. Additionally, a 38-acre area, also on the edge of downtown, is being cleared and has already had a 130-room hotel constructed on part of that site.

Construction continued on the \$90 million vocational school with a total of \$14.0 million being spent through June 30, 2003. Ground breaking was in the fall of 2002 with completion scheduled for the 2006-2007 school year. Additionally, a 360,000 square-foot \$144 million downtown courthouse annex is in the design stage with ground breaking scheduled to take place in the spring of 2004. Also, the City has approved a 20 year 50% Tax Increment Exemption and an agreement with the United States Department of Housing and Urban Development for a \$5 million loan under the Section 108 Guaranteed Loan Program for a developer who has proposed constructing a \$22 million 200-room convention hotel adjacent to the City's convention center and arena complex. The proposed hotel is also adjacent to the new courthouse annex and is to be connected to a 1,000 space municipal garage and to the convention complex with pedestrian walkways.

Worcester's total assessed property value has increased steadily since fiscal 1996. This has been because of increases in property values and a relentless single family housing boom. In fiscal 2003 Worcester's property values rose to an all-time high of \$7.6 billion, which was a 14.5% increase from the previous year. The City has also been working to encourage downtown housing and has had an ongoing neighborhood improvements program that concentrates on improvements to infrastructure, recreational facilities, public safety, housing and outreach.

PENSION AND OTHER POSTRETIREMENT BENEFITS

The City provides a defined benefit pension plan to certain employees through a cost-sharing multiple employer public employee retirement system. Membership is mandatory for all employees whose work week consists of 20 or more hours for the City and the Worcester Housing Authority (WHA), with exception of teachers and certain school administrators who participate in the Massachusetts Teacher's Retirement System. MGL Chapter 32 governs the retirement system. The fund is accounted for on a calendar-year basis. Each year, an independent actuary, engaged by the pension plan, calculates the amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. The City has no obligations to the Massachusetts Teacher's Retirement System. As of December 31, 2002, plan net assets and actuarial accrued liabilities were \$461.7 million and \$715.9 million, respectively.

The City also provides postretirement health and dental care benefits for certain retirees and their dependents. There are currently 4,400 retirees eligible to receive these benefits, which are financed on a pay-as-you-go basis. Accounting principles generally accepted in the United States of America currently do not require governments to report a liability in the basic financial statements in connection with an employer's obligation to provide these benefits.

Information on the City's pension arrangements and postretirement benefits can be found in the notes to the basic financial statements.

CASH MANAGEMENT

The Treasurer-Collector sets the City's investment policies. Investment options are governed by MGL and are limited by liquidity needs. Temporary idle cash was invested in money market accounts, savings accounts and short-term U.S. Government obligations. These investments were collateralized at a rate of 79.6% on June 30, 2003. The average yield on maturing investments was 1.51% on unrestricted assets and the amount of interest earned on such investments was \$609,689.

RISK MANAGEMENT

The City insures its buildings for fire, theft, natural disaster and earthquake. The policy for these buildings carries a \$100,000 deductible clause. The City also carries personal liability insurance for Worcester's Centrum Centre.

Indemnity coverage is provided to employees and retirees through Blue Cross and Blue Shield (BC/BS). The City also provides coverage to employees and retirees through the Fallon Medical health maintenance organization plan. All plans are paid for on a premium basis with the employee and retiree share of the costs being 25% for the indemnity plan, 16% for Blue Care 65 and Fallon Senior, 13% for Blue Cross/Blue Choice and Medex and 10% for Fallon.

The City is self-insured in all other areas of risk including auto liability, workers' compensation and unemployment compensation. The City's Law Department defends the City in most cases for legal claims, except those requiring specialized expertise, in which case the City will periodically retain outside legal counsel. Settlements of legal claims are paid from the City's court judgments account. Claims and judgments are accrued in the government-wide financial statements to the extent they are probable and estimable; however, they are accrued in the fund-basis statements only to the extent that they are matured liabilities. The City's Human Resources Department administers risk management.

Additional information on the City's risk management activity can be found in the notes to the basic financial statements.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Worcester, Massachusetts for its CAFR for the year ended June 30, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate, a government must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last ten consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Auditing Department. I also wish to acknowledge our indebtedness to personnel in other City departments who assisted in our preparation. I am grateful to the City's independent auditors, KPMG LLP, for the professional assistance and advice they have provided during the course of their audit. In addition, I would like to thank the members of the City Council for your support.

Respectfully submitted,

A handwritten signature in black ink, reading "James A. DelSignore". The signature is written in a cursive, flowing style.

James A. DelSignore, CPA
City Auditor

CITY OF WORCESTER, MASSACHUSETTS

List of Elected and Appointed Officials

June 30, 2003

Council – Manager Form of Government

CITY COUNCIL

Timothy P. Murray, Mayor

Councillors-at-Large

Juan A. Gomez
Dennis L. Irish
Konstantina B. Lukes
Micheal C. Perotto
Joseph M. Petty

District Councillors

Stephen G. Abraham
Paul P. Clancy, Jr.
Barbara G. Haller
Philip P. Palmieri
Stephen T. Patton

CITY MANAGER

Thomas R. Hoover

AUDITING DEPARTMENT

James A. DelSignore, City Auditor
Thomas J. Clawson, Deputy City Auditor

Michael T. Hennessy
Michele Giangrande
Ruth Sarafinas

Chief Accountant
Systems Accountant
Administrative Assistant

BUDGET DIRECTOR

John P. Prankevicius

CITY ASSESSOR

Robert J. Allard

PURCHASING AGENT

John C. Orell

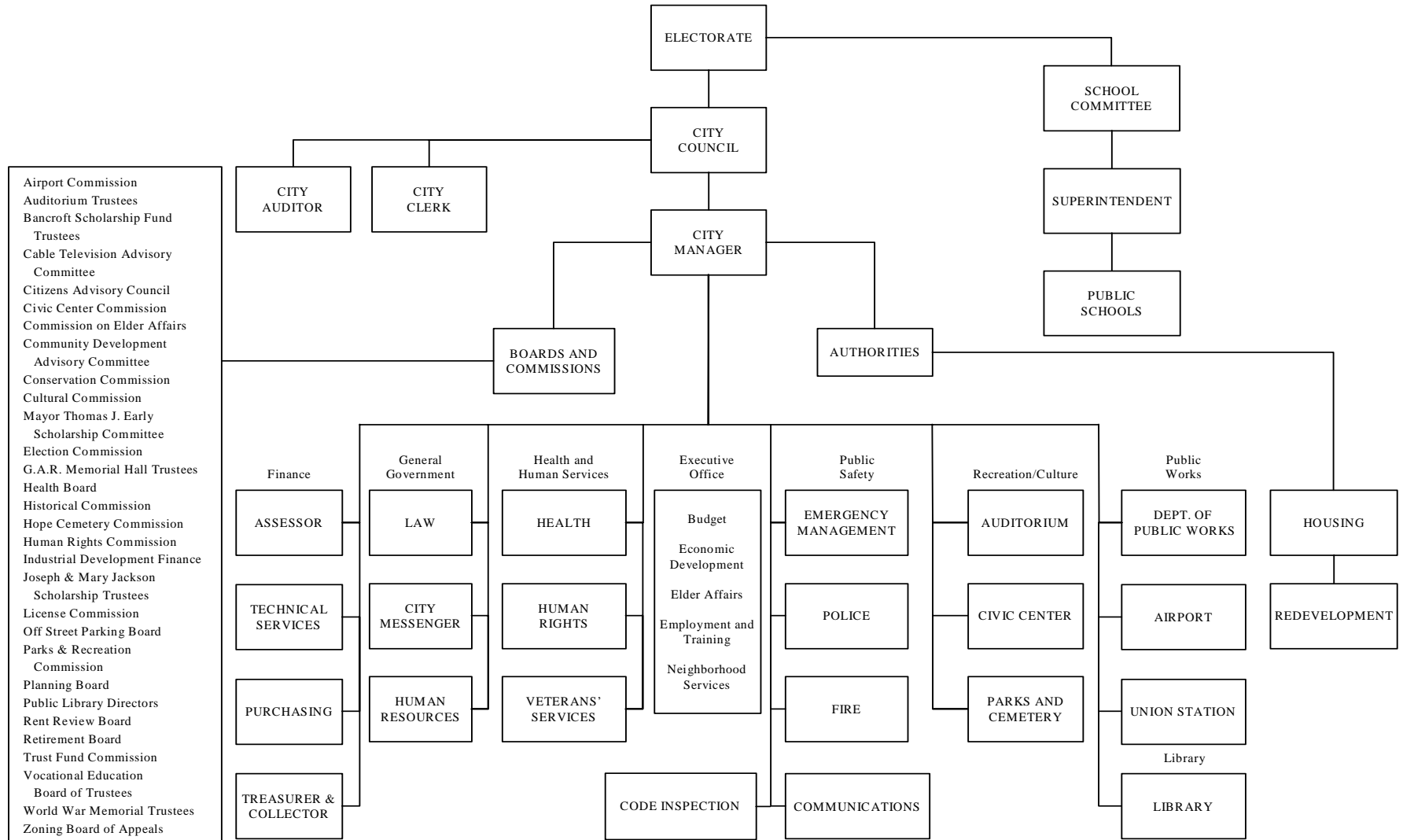
TREASURER & COLLECTOR

Thomas F. Zidelis

DIRECTOR OF TECHNICAL SERVICES

Paul R. Covello

WORCESTER CITY GOVERNMENT



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Worcester,
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enos".

Executive Director

FINANCIAL SECTION



99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 988 0800

Independent Auditors' Report

The Honorable Mayor and City Council
City of Worcester, Massachusetts:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Worcester, Massachusetts (the City), as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Upper Blackstone Water Pollution Abatement District were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 11 through 24, the schedule of revenues, expenditures and changes in fund balances – budgetary basis – general fund on pages 69 through 73 and the schedules of funding progress and employers' contributions on page 74 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.





Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a separate report dated November 26, 2003 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

November 26, 2003

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2003

(In thousands of dollars)

This section of the City's annual financial report presents a discussion and analysis of the City's financial activities during the fiscal year ended June 30, 2003. Please read it in conjunction with the transmittal letter at the front of this report and the basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City (primary government) exceeded its liabilities (net assets) at the close of fiscal 2003 by \$37,323.
- The City's total net assets increased by \$14,476.
- "Free Cash" certified by the State's Department of Revenue as of July 1, 2003 was \$4,503. This amount is unrestricted in the general fund and available for appropriation in fiscal 2004.
- At the end of fiscal 2003, unreserved fund balance for the general fund was \$9,437 or 2.4% of total general fund revenues.
- The City's total debt decreased by \$4,470 during fiscal 2003 (0.8%).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements report information about the City with a broad overview of its finances using accounting methods similar to those used by a private-sector business.

The statement of net assets presents information of all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during fiscal 2003. All changes in net assets are reported as soon as the underlying event causing the change takes place. Therefore, all of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (e.g., uncollected taxes and earned but unused vacation leave, etc.).

The government-wide financial statements of the City are divided into three categories:

- Governmental activities – Governmental activities of the City such as general government, public works, public safety, public roads, sanitation, education, health, recreation, and culture are reported here. Property taxes, State aid, and local fees and charges finance most of these activities.
- Business-type activities – The City charges fees to users to help it cover costs of certain services it provides. The City's water, sewer, airport and golf course operations are included here.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2003

(In thousands of dollars)

- **Component units** – The government-wide financial statements not only include the governmental and business-type activities (known as the primary government) but also legally separate entities. There are two legally separate component unit entities presented discretely in this report, which are the Worcester Redevelopment Authority and the Upper Blackstone Water Pollution Abatement District. These entities are included because the City is financially accountable for them.

The government-wide financial statements can be found on pages 25 – 27 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – Similar to the government activities in the government-wide financial statements, most of the City's basic services are presented here. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of available resources. They also focus on the balances of available resources at the end of the fiscal year. This information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is short-term and government-wide are long-term it is useful to compare similar information presented for governmental funds with governmental activities in the government-wide financial statements. This comparison may demonstrate the long-term implications of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 30 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the stabilization fund, both of which are considered major funds. Data from the 28 other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

The City adopts an annual budget for its general fund and its enterprise funds.

The governmental fund financial statements can be found on pages 28 – 30.

Proprietary funds – The City uses enterprise funds (a type of proprietary fund) to account for water, sewer, airport, and golf course operations, all of which are considered major funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 31 – 33.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2003

(In thousands of dollars)

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City is the trustee, or fiduciary, for its employees' pension plan. It is also responsible for other assets that because of a trust arrangement can be used only for the trust beneficiaries and the agency fund. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 34 – 35.

Notes to the basic financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 37 – 68.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information which includes the general fund's Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual and information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Other required supplementary information can be found on pages 69 – 74.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded liabilities by \$37,323 at the close of the most recent fiscal year.

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, infrastructure, furniture, and equipment), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2003

(In thousands of dollars)

		Net Assets					
		Governmental activities		Business-type activities		Total	
		2003	2002	2003	2002	2003	2002
Current and other assets	\$	119,048	113,590	18,168	16,281	137,216	129,871
Capital assets		351,003	345,592	218,929	220,981	569,932	566,573
Total assets		470,051	459,182	237,097	237,262	707,148	696,444
Long-term liabilities outstanding		484,680	486,723	102,190	102,521	586,870	589,244
Other liabilities		71,922	74,529	11,033	9,824	82,955	84,353
Total liabilities		556,602	561,252	113,223	112,345	669,825	673,597
Net assets:							
Invested in capital assets, net of related debt		118,339	113,859	110,722	113,110	229,061	226,969
Restricted		11,862	11,559	413	420	12,275	11,979
Unrestricted		(216,752)	(227,488)	12,739	11,387	(204,013)	(216,101)
Total net assets	\$	(86,551)	(102,070)	123,874	124,917	37,323	22,847

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining amount of unrestricted net assets shows a balance of (\$216,752). However, this balance includes outstanding pension obligation bonds of \$205,594 for which there is no offsetting assets in the governmental funds. General obligation bonds were also issued to finance land acquisition and pollution remediation to make way for a for-profit hospital in the City's downtown. There are also no offsetting assets in the governmental funds for this debt, which had a balance of \$37,644 at year's end. Absent the fore mentioned bond debt there is \$26,486 of unrestricted net assets that may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of fiscal 2003, the City is able to report positive balances in all three categories of net assets for business-type activities and, because of the pension obligation and hospital bonds, all but unrestricted net assets in the governmental activities. The same situation existed at the end of fiscal 2002.

Restricted net assets in the City's governmental funds increased by \$303, because investment income and contributions exceeded expenses in the permanent funds.

The City's total net assets increased by \$14,476, because of an excess of revenues over expenses.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2003

(In thousands of dollars)

Governmental activities – Governmental activities increased the City's net assets by \$15,519, thereby accounting for 107.2% of the total growth in net assets of the City. The key elements of this increase are as follows:

	Changes in Net Assets					
	Governmental activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for services	\$ 24,946	21,052	39,134	38,641	64,080	59,693
Operating grants and contributions	242,808	229,481	1,329	733	244,137	230,214
Capital grants and contributions	2,273	2,253	1,470	2,247	3,743	4,500
General revenues:						
Property taxes	144,316	139,027	—	—	144,316	139,027
Motor vehicle excise taxes	13,438	12,941	—	—	13,438	12,941
Intergovernmental	42,016	47,425	—	—	42,016	47,425
Other	7,174	8,685	—	—	7,174	8,685
Total revenues	476,971	460,864	41,933	41,621	518,904	502,485
Expenses:						
General government	13,707	20,280	—	—	13,707	20,280
Public safety	92,019	83,971	—	—	92,019	83,971
Health and human services	19,054	20,866	—	—	19,054	20,866
Education	262,625	252,493	—	—	262,625	252,493
Libraries	6,740	6,104	—	—	6,740	6,104
Public works	24,640	20,234	—	—	24,640	20,234
Culture and recreation	7,597	7,036	—	—	7,597	7,036
Community development	4,002	4,518	—	—	4,002	4,518
Redevelopment	4,238	2,719	—	—	4,238	2,719
Intergovernmental	2,424	2,276	—	—	2,424	2,276
Interest on long-term debt	24,913	24,624	—	—	24,913	24,624
Water	—	—	20,753	20,352	20,753	20,352
Sewer	—	—	16,310	16,731	16,310	16,731
Airport	—	—	4,389	4,906	4,389	4,906
Golf course	—	—	1,082	1,215	1,082	1,215
Total expenses	461,959	445,121	42,534	43,204	504,493	488,325
Increase (decrease) in net assets before transfers and contributions	15,012	15,743	(601)	(1,583)	14,411	14,160
Transfers	442	(857)	(442)	857	—	—
Contributions	65	62	—	—	65	62
Increase (decrease) in net assets	15,519	14,948	(1,043)	(726)	14,476	14,222
Net assets – beginning	(102,070)	(117,018)	124,917	125,643	22,847	8,625
Net assets – ending	\$ (86,551)	(102,070)	123,874	124,917	37,323	22,847

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2003

(In thousands of dollars)

Total revenues were \$476,971, which was \$16,107 or a 3.5% increase over the previous fiscal year. State aid to education, which is included in operating grants and contributions, increased by \$8,525, along with reimbursements for school-related Federal Medicare expenses, which increased by \$3,346. Additionally, property tax revenue increased by \$5,289 and charges for services increased by \$3,894 primarily because fees for City trash bags were raised and building permit revenue increased. Those increased revenues, along with smaller increases in other categories, overcame a \$5,409 reduction in general intergovernmental revenue from the State.

Total expenses were \$461,959, which was a \$16,838 or a 3.8% increase from the previous fiscal year. Educational expenses increased by \$10,132 partly because of salary increases but for the most part because of an increase in fringe benefit costs. Public safety expenses increased by \$8,048 in part because of a reclassification, due to a reorganization, of \$1,176 of Code Inspection expenses to it from health and human services and because of a large increase in fringe benefit costs. Public works expenses increased by \$4,406 because of increased fringe benefit and snow removal costs. Conversely, general government expenses decreased because of reduction of departmental budgets and a large decrease in legal settlement expenses that were recognized in fiscal 2002. Most other expense categories remained stable with the exception of redevelopment costs, which increased by \$1,519 as the City made its final payment for Medical Center land acquisition costs.

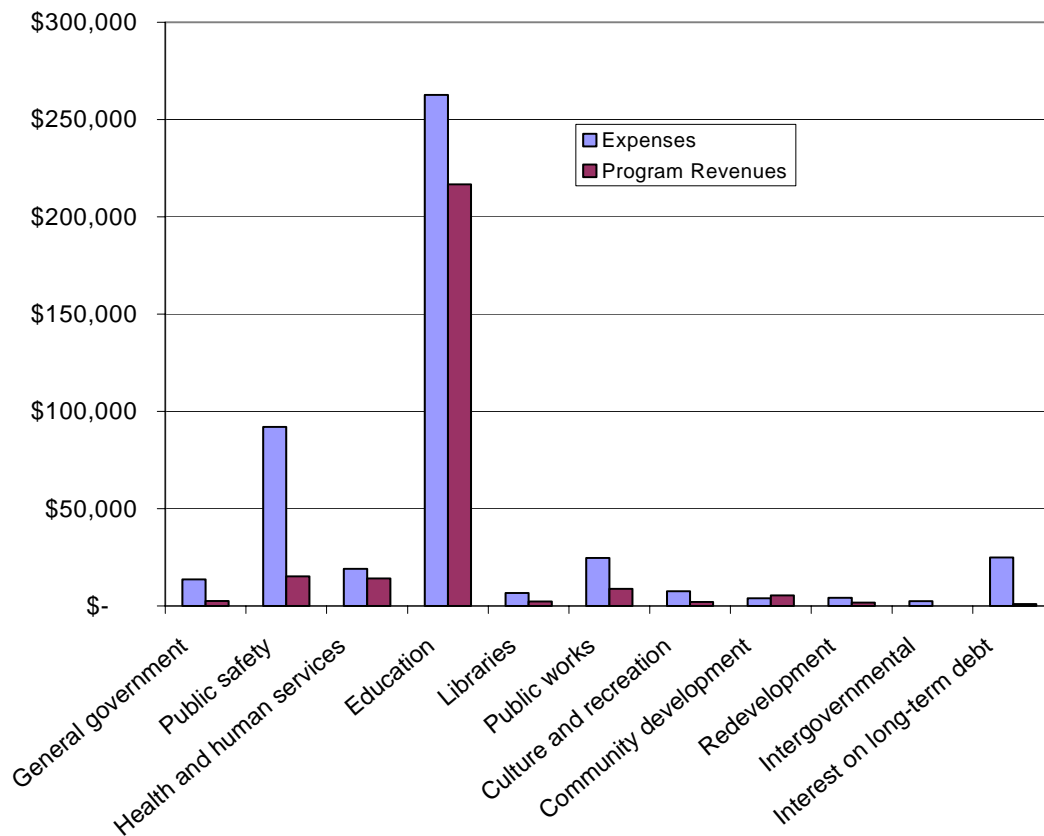
CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2003

(In thousands of dollars)

FY 2003 Expenses and Program Revenues– Governmental Activities



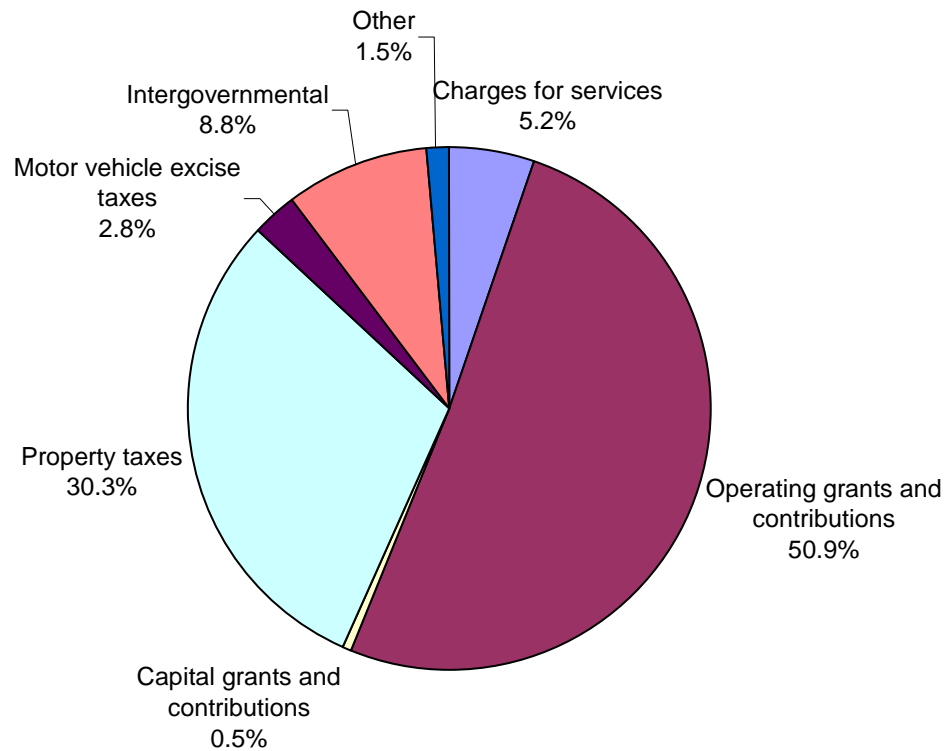
CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2003

(In thousands of dollars)

FY 2003 Revenues by Source – Governmental Activities



Business-type activities – Business-type activities decreased the City's net assets by \$1,043. Factors contributing to these results are as follows:

- The water fund was the only positive business-type contributor towards net assets. Operating income of \$5,807 was offset to a large extent by interest expense of \$4,026. However, the water fund still managed to contribute a \$1,879 positive change in net assets. This follows the previous year's \$1,428 increase in net assets.
- The sewer fund managed to reduce its operating loss to \$591 from \$1,488 in the previous year by reducing expenses. Net assets decreased by \$1,756, which follows the previous year's \$2,764 decrease.

CITY OF WORCESTER, MASSACHUSETTS

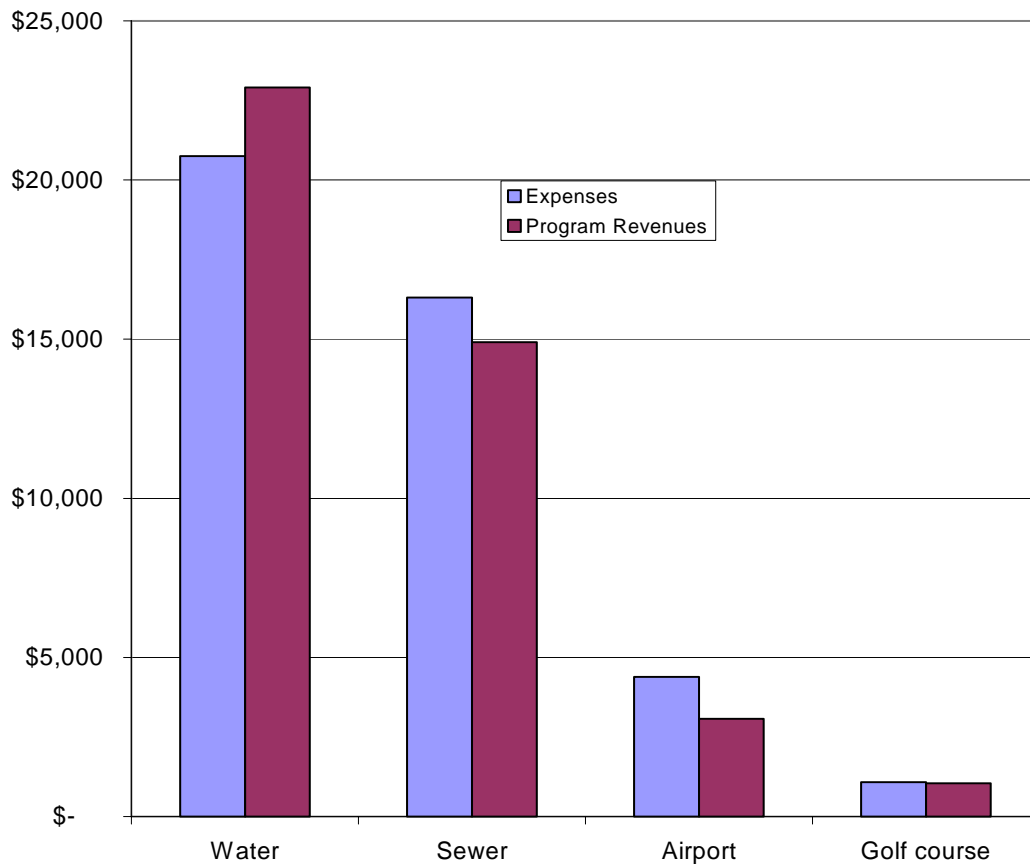
Management's Discussion and Analysis

June 30, 2003

(In thousands of dollars)

- The airport fund had a reduction of \$936 to its net assets because a net operating loss of \$3,085 was not totally offset by subsidies from the City and MassPort.
- The golf course fund had a reduction of \$230 to its net assets as interest expense and transfers out offset operating income of \$14.

FY 2003 Expenses and Program Revenues – Business-type Activities



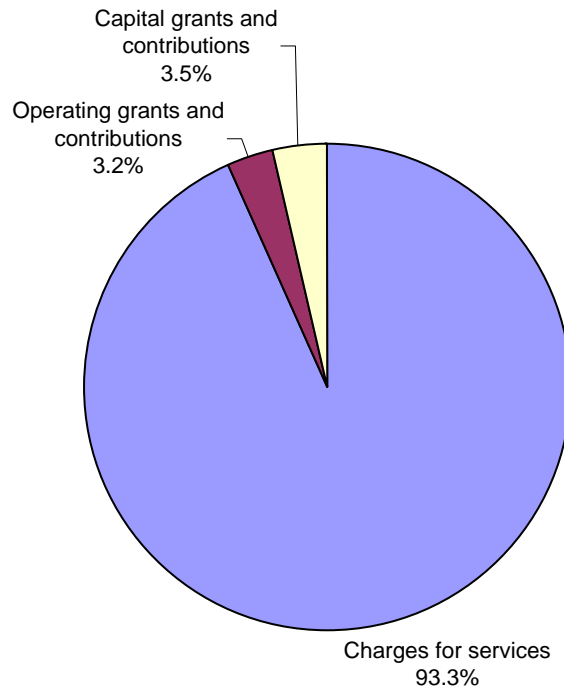
CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2003

(In thousands of dollars)

FY 2003 Revenues by Source – Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on the near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of fiscal 2003, the City's governmental funds reported combined ending fund balances of \$43,931 an increase of \$11,801 from fiscal 2002. Approximately 35% of this ending fund balance, or \$15,364 is available for spending at the City's discretion (unreserved fund balance). The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and warrants of the period (\$8,574), 2) for nonexpendable permanent funds (\$10,214), 3) to pay pension benefits — as required by legislation allowing the issuance of pension obligation bonds — (\$1,618) and 4) to pay debt service (\$8,161).

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2003

(In thousands of dollars)

The general fund is the chief operating fund of the City. At the end of fiscal 2003 unreserved fund balance of the general fund was \$9,437 while total fund balance was \$11,055. As a measure of liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund revenues. Unreserved fund balance represents approximately 2.4% of total general fund revenues, while total fund balance equals approximately 2.8% of that same amount.

The fund balance of the City's general fund increased by \$547 during fiscal 2003. Total revenue exceeded expenditures by \$4,721, while transfers out exceeded transfers in by \$4,174.

The stabilization fund had a fund balance of \$8,161 at the end of fiscal 2003. During the year, \$8,844 was transferred in from the general fund. The fund expended \$4,175 for debt service and increased by \$4,669 from the beginning of the year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at the end of fiscal 2003 totaled \$12,739. This was a \$1,352 increase from the previous year. The components of this increase were increases of \$798 in the water fund, \$538 in the sewer fund, \$198 in the airport fund, and a decrease of \$182 in the golf course fund. Unrestricted net assets consisted of \$6,199 in the water fund, \$6,624 in the sewer fund, (\$31) in the airport fund and (\$53) in the golf course fund. Other factors concerning the finances of these four funds have been addressed in the discussion of the City's business-type activities.

BUDGETARY HIGHLIGHTS

The City's final general fund expenditure budget decreased by \$2,453 from the original. This change has a few major components. The original education budget was decreased by a \$11,679 charter school subsidy from the State. The exact cost of charter schools is not known when the budget is prepared and must be reduced from the original intergovernmental revenue estimate and the education expenditure budget when determined as this aid goes directly to the charter schools and does not pass through the City's accounts.

The education budget was increased by \$5,163 from the original when the State made a commitment to provide additional local aid. This also increased the intergovernmental revenue estimate. The estimate for intergovernmental revenue was also increased when it was revealed that \$6,344 would be available as part the State's 90% share of the vocational school debt service costs. This amount was added to the transfers out budget and was designated for the stabilization fund. Transfers from the special revenue fund were supplemented to the original general fund expenditure and transfers in budgets.

The property tax estimate increased by \$949 because new construction growth exceeded the original estimate. This amount was then reduced by \$350 to provide for additional elderly tax abatements.

Revenues were \$2,281 more than budgeted. Revenue accounts showing the largest positive variances were property taxes and motor vehicle excise taxes, while interest income and intergovernmental aid had the largest negative variances. The intergovernmental revenue category was less than anticipated when State local aid was cut by \$4,300 with only a four months remaining in the fiscal year and funding was reduced by \$1,031 because of the School Choice Program, which diverts aid to surrounding communities when school age City residents

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2003

(In thousands of dollars)

choose to enroll in schools in those communities. However, much of this was offset because reimbursement for school related Federal Medicaid expenditures were \$3,804 higher than budgeted. Most governmental functions either had no variance or positive variances with expenditures budgets. The exceptions were the snow and ice (\$2,574) and the intergovernmental (\$347) line items. There was a net decrease in budgetary fund balance of \$359.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2003 amounted to \$569,932. This investment in capital assets includes land, buildings, improvements other than buildings, equipment and other, rolling equipment, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the current year was \$3,359 or 0.6% (a 1.6% increase for governmental activities and a 0.9% decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Streets and sidewalks were improved with costs amounting to \$3,634 during the year.
- Construction continued on the new \$90,000 vocational high school with \$6,691 being spent during the year.
- Payment of \$4,238 was made during the year for final settlements of land acquisition costs for the Medical Center site.
- Resources were allocated during the year to business-type building, infrastructure and other capital asset additions costing \$6,327.

	Capital Assets (net of depreciation)					
	Governmental activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 11,778	11,778	257	257	12,035	12,035
Buildings	223,626	228,131	45,182	46,659	268,808	274,790
Improvements, other than buildings	7,599	6,737	—	—	7,599	6,737
Equipment and other	6,767	6,781	394	406	7,161	7,187
Rolling equipment	7,727	7,813	2,385	2,243	10,112	10,056
Infrastructure	59,487	60,346	170,107	170,966	229,594	231,312
Construction in progress	34,019	24,006	604	450	34,623	24,456
Total	\$ 351,003	345,592	218,929	220,981	569,932	566,573

Additional information on the City's capital assets can be found in note 7 on pages 52 – 56 of this report.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2003

(In thousands of dollars)

Long-term debt. At the end of the current fiscal year the City of Worcester had total bonded debt outstanding of \$584,489, a decrease of \$4,470 or 0.8% from the prior fiscal year. The full faith and credit of the City back this entire amount.

		Long-Term Debt					
		Governmental activities		Business-type activities		Total	
		2003	2002	2003	2002	2003	2002
General obligation bonds	\$	451,740	452,683	101,169	101,336	552,909	554,019
Bond anticipation notes		24,285	28,410	7,295	6,530	31,580	34,940
Total	\$	476,025	481,093	108,464	107,866	584,489	588,959

On August 15, 2002, the City issued \$33,690 of general obligation bonds. The proceeds consisted of \$25,890 for governmental activities and \$7,800 for business-type activities. In addition, in order to take advantage of favorable interest rates, on June 30, 2003 the City issued \$9,520 of general obligation bonds to refinance \$9,345 of previously issued bonds. As a result, the City incurred a net difference of \$175 in the liabilities of the old bonds versus the new bonds, which will be amortized over the life of the old bonds.

In relation to these issues, the City applied for credit ratings with Moody's Investors Service and Standard and Poors. The City's credit rating with Standard and Poors and with Moody's Investors Service remained at A- and A3, respectively.

Massachusetts General Law subjects the City to a dual-level general debt limit: the normal debt limit and double debt limit. Such limits are equal to 2½ % and 5%, respectively, of the valuation of taxable property in the City as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without State approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Emergency Finance Board. Additionally, certain categories of general obligation debt are exempt from the debt limit but subject to other limitations.

Additional information on the City's long-term debt can be found in note 9 beginning on page 57 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City has a diverse economy that has significant employment in the education and health care sectors, which tend to stand up well during economic downturns. However, the City did experience an increase in its unemployment with a rate of 7.8% at year-end compared with 6.5% a year earlier. This compares with unemployment rates of 5.6% in Massachusetts and 6.4% nationally.

Worcester's downtown office space of 5.1 million square feet was 89.5% occupied, according to a study done by the Worcester Regional Research Bureau. This is an increase from the 88.5% that was occupied in the previous year. Residential vacancy rates continue to decrease. At present, vacant apartments are in scarce supply. During fiscal 2003, single-family housing starts continued their multi-year surge. Much of the increase was due to a large demand by employees, who would like to take advantage of commuter rail service to Boston. Property values have increased to their highest-ever level increasing for the seventh consecutive year and growing to \$7,621,000 in fiscal 2003 compared with \$6,654,000 in fiscal 2002.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2003

(In thousands of dollars)

The City finished fiscal 2003 with "Free Cash" of \$4,503 as certified by the Commonwealth's Department of Revenue. This amount is available to fund the fiscal 2004 budget.

State Local Aid to the City has increased by a significant percentage for several years, primarily to fund education. In fact, State Local Aid now comprises approximately 54% of the City's general fund revenues, compared with 42% in fiscal 1992 and 50% in fiscal 1997. Although this funding now plays a lead role in financing the City's budget, it also leaves the City vulnerable to tax cuts and/or an economic downturn at the State level.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for interested parties. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the City Auditor, 455 Main Street, room 102, Worcester, Massachusetts 01608.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Net Assets

June 30, 2003

(Amounts expressed in thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Worcester Redevelopment Authority	Upper Blackstone Water Pollution Abatement District
Assets:					
Cash and investments	\$ 99,733	8,916	108,649	11,742	13,672
Receivables (net):					
Real estate and personal property taxes	1,988	—	1,988	—	—
Tax liens	8,381	—	8,381	—	—
Motor vehicle excise taxes	2,563	—	2,563	—	—
Charges for services	—	9,004	9,004	—	824
Special assessments	1,028	319	1,347	—	—
Departmental	1,298	—	1,298	—	—
Intergovernmental	2,335	—	2,335	—	153
Internal balances	71	(71)	—	—	—
Due from component unit	1,651	—	1,651	—	—
Due from primary government	—	—	—	90	—
Other	—	—	—	54	364
Other assets	—	—	—	215	—
Capital assets, not being depreciated	45,797	861	46,658	3,829	7,255
Capital assets, net of accumulated depreciation	305,206	218,068	523,274	44,278	37,914
Total assets	470,051	237,097	707,148	60,208	60,182
Liabilities:					
Accounts payable	30,735	1,489	32,224	130	993
Accrued liabilities	10,672	1,948	12,620	—	674
Retainage payable	1,211	301	1,512	—	—
Temporary loans	24,285	7,295	31,580	—	—
Other liabilities	5,019	—	5,019	362	—
Noncurrent liabilities:					
Due within one year	35,979	9,378	45,357	13,164	1,712
Due in more than one year	448,701	92,812	541,513	7,025	32,017
Total liabilities	556,602	113,223	669,825	20,681	35,396
Net assets:					
Invested in capital assets, net of related debt	118,339	110,722	229,061	31,239	14,460
Restricted for:					
Renewal and replacement	—	413	413	46	—
Pension benefits	1,618	—	1,618	—	—
Nonexpendable permanent funds	10,214	—	10,214	—	—
Expendable permanent funds	30	—	30	—	—
Other	—	—	—	11,516	—
Unrestricted	(216,752)	12,739	(204,013)	(3,274)	10,326
Total net assets	\$ (86,551)	123,874	37,323	39,527	24,786

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2003

(Amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 13,707	2,315	235	—
Public safety	92,019	11,652	3,595	—
Health and human services	19,054	652	13,473	—
Education	262,625	3,365	213,388	—
Libraries	6,740	76	2,252	—
Public works	24,640	5,410	1,436	1,962
Culture and recreation	7,597	1,343	460	311
Community development	4,002	133	5,311	—
Redevelopment	4,238	—	1,680	—
Intergovernmental	2,424	—	—	—
Interest on long-term debt	24,913	—	978	—
Total governmental activities	461,959	24,946	242,808	2,273
Business-type activities:				
Water	20,753	22,534	—	370
Sewer	16,310	14,548	—	360
Airport	4,389	1,002	1,329	740
Golf course	1,082	1,050	—	—
Total business-type activities	42,534	39,134	1,329	1,470
Total primary government	\$ 504,493	64,080	244,137	3,743
Component units:				
Worcester Redevelopment Authority	\$ 7,663	5,631	—	90
Upper Blackstone Water Pollution Abatement District	11,772	5,925	669	—
Total component units	\$ 19,435	11,556	669	90
General revenues:				
Real estate and personal property taxes				
Motor vehicle excise taxes				
Other taxes and in-lieu payments				
Penalties and interest on taxes				
Intergovernmental revenues (unrestricted)				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Contributions to permanent funds				
Change in net assets				
Net assets – beginning				
Net assets – ending				

See accompanying notes to basic financial statements.

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets				
			Component Units	
Primary Government			Worcester Redevelopment Authority	Upper Blackstone Water Pollution Abatement District
Governmental Activities	Business-type Activities	Total		
(11,157)	—	(11,157)		
(76,772)	—	(76,772)		
(4,929)	—	(4,929)		
(45,872)	—	(45,872)		
(4,412)	—	(4,412)		
(15,832)	—	(15,832)		
(5,483)	—	(5,483)		
1,442	—	1,442		
(2,558)	—	(2,558)		
(2,424)	—	(2,424)		
(23,935)	—	(23,935)		
(191,932)	—	(191,932)		
—	2,151	2,151		
—	(1,402)	(1,402)		
—	(1,318)	(1,318)		
—	(32)	(32)		
—	(601)	(601)		
(191,932)	(601)	(192,533)		
			(1,942)	—
			—	(5,178)
			(1,942)	(5,178)
144,316	—	144,316	—	—
13,438	—	13,438	—	—
1,846	—	1,846	—	—
2,702	—	2,702	—	—
42,016	—	42,016	—	—
778	—	778	129	801
1,848	—	1,848	—	—
442	(442)	—	—	—
207,386	(442)	206,944	129	801
65	—	65	—	—
15,519	(1,043)	14,476	(1,813)	(4,377)
(102,070)	124,917	22,847	41,340	29,163
\$ (86,551)	123,874	37,323	39,527	24,786

CITY OF WORCESTER, MASSACHUSETTS

Balance Sheet
Governmental Funds

June 30, 2003

(Amounts expressed in thousands)

Assets	General	Stabilization	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 39,753	8,161	42,545	90,459
Investments	165	—	9,109	9,274
Receivables (net of allowance for uncollectibles of \$6,845)	15,258	—	—	15,258
Due from airport fund	71	—	—	71
Due from other governments	1,473	—	862	2,335
Total assets	\$ 56,720	8,161	52,516	117,397
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 27,219	—	3,516	30,735
Deferred revenue	13,427	—	—	13,427
Temporary loans	—	—	24,285	24,285
Other liabilities	5,019	—	—	5,019
Total liabilities	45,665	—	27,801	73,466
Fund balances:				
Reserved for:				
Encumbrances and continuing appropriations	—	—	8,574	8,574
Nonexpendable permanent funds	—	—	10,214	10,214
Pension benefits	1,618	—	—	1,618
Stabilization	—	8,161	—	8,161
Unreserved, reported in:				
General fund	9,437	—	—	9,437
Special revenue funds	—	—	19,819	19,819
Capital projects funds	—	—	(13,988)	(13,988)
Expendable permanent funds	—	—	96	96
Total fund balances	11,055	8,161	24,715	43,931
Total liabilities and fund balances	\$ 56,720	8,161	52,516	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

351,003

Other assets are not available to pay for current-period expenditures and, therefore are deferred in the funds.

14,955

Accrued and long-term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds and notes payable

(451,617)

Accrued and long-term liabilities

(44,823)

Net assets of governmental activities

\$ (86,551)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2003

(Amounts expressed in thousands)

	General Fund	Stabilization	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 148,322	—	—	148,322
Motor vehicle excise taxes	14,085	—	—	14,085
Other taxes and in-lieu payments	2,215	—	—	2,215
Penalties and interest on taxes	2,702	—	—	2,702
Licenses and permits	5,266	—	—	5,266
Intergovernmental	210,289	—	73,714	284,003
Charges for services	3,613	—	14,031	17,644
Fines and forfeitures	2,636	—	—	2,636
Investment earnings	664	—	421	1,085
Donations	—	—	2,683	2,683
Contributions to permanent funds	—	—	65	65
Miscellaneous	895	—	953	1,848
Total revenues	390,687	—	91,867	482,554
Expenditures:				
General government	10,326	—	1,680	12,006
Public safety	64,045	—	11,034	75,079
Health and human services	3,658	—	13,343	17,001
Education	181,006	—	58,144	239,150
Libraries	4,093	—	2,652	6,745
Public works	17,598	—	6,428	24,026
Culture and recreation	3,880	—	2,166	6,046
Fringe benefits	53,965	—	—	53,965
Community development	—	—	4,001	4,001
Redevelopment	—	—	4,238	4,238
Intergovernmental	2,424	—	—	2,424
Debt service:				
Principal	23,014	2,149	1,552	26,715
Interest	21,957	2,026	1,481	25,464
Total expenditures	385,966	4,175	106,719	496,860
Excess (deficiency) of revenues over expenditures	4,721	(4,175)	(14,852)	(14,306)
Other financing sources (uses):				
Transfers in	5,228	8,844	3,875	17,947
Transfers out	(9,402)	—	(8,103)	(17,505)
Bond proceeds	—	—	30,412	30,412
Payments to refunded bond escrow agent	—	—	(4,747)	(4,747)
Total other financing sources (uses)	(4,174)	8,844	21,437	26,107
Net change in fund balances	547	4,669	6,585	11,801
Fund balances – beginning	10,508	3,492	18,130	32,130
Fund balances – ending	\$ 11,055	8,161	24,715	43,931

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2003

(Amounts expressed in thousands)

Net change in fund balances – total governmental funds (Exhibit 4)	\$	13,368
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		3,542
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(5,517)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.		1,034
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		3,092
Change in net assets of governmental activities (Exhibit 2)	\$	<u>15,519</u>

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Net Assets
Proprietary Funds

Year ended June 30, 2003

(Amounts expressed in thousands)

	Water	Sewer	Airport	Golf Course	Totals
Assets:					
Current assets:					
Cash and cash equivalents	\$ 4,704	4,111	—	101	8,916
Receivables (net)	4,829	3,895	599	—	9,323
Total current assets	9,533	8,006	599	101	18,239
Noncurrent assets:					
Capital assets:					
Land	34	117	106	—	257
Buildings	38,946	2,367	17,191	109	58,613
Infrastructure	105,522	116,528	19,949	633	242,632
Construction in progress	319	117	168	—	604
Equipment and other	520	166	396	6	1,088
Rolling equipment	1,808	2,162	1,179	—	5,149
Less accumulated depreciation	(35,520)	(41,861)	(11,742)	(291)	(89,414)
Capital assets, net	111,629	79,596	27,247	457	218,929
Total noncurrent assets	111,629	79,596	27,247	457	218,929
Total assets	121,162	87,602	27,846	558	237,168
Liabilities:					
Current liabilities:					
Accounts payable	652	688	114	35	1,489
Due to general fund	—	—	71	—	71
Accrued liabilities	1,409	446	77	16	1,948
Retainage payable	209	90	2	—	301
Judgments and claims	165	—	—	—	165
Compensated absences	346	138	47	3	534
Temporary loans	3,575	3,665	40	15	7,295
General obligation bonds payable	6,237	1,996	339	107	8,679
Total current liabilities	12,593	7,023	690	176	20,482
Noncurrent liabilities:					
Judgments and claims	480	—	—	—	480
Compensated absences	73	20	6	—	99
General obligation bonds payable, net of deferred amounts on refundings	66,951	19,887	4,618	777	92,233
Total noncurrent liabilities	67,504	19,907	4,624	777	92,812
Total liabilities	80,097	26,930	5,314	953	113,294
Net assets:					
Invested in capital assets, net of related debt	34,866	54,048	22,250	(442)	110,722
Reserved for:					
Renewal and replacement	—	—	313	100	413
Unrestricted	6,199	6,624	(31)	(53)	12,739
Total net assets	\$ 41,065	60,672	22,532	(395)	123,874

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2003

(Amounts expressed in thousands)

	Water	Sewer	Airport	Golf Course	Totals
Operating revenues:					
Charges for services	\$ 20,893	14,300	—	—	35,193
Fees	371	—	245	1,040	1,656
Facility rental	—	—	480	—	480
Miscellaneous	1,270	248	277	10	1,805
Total operating revenues	22,534	14,548	1,002	1,050	39,134
Operating expenses:					
Salaries and benefits	7,479	3,628	1,228	289	12,624
Ordinary maintenance	3,339	5,153	1,284	640	10,416
Indirect costs	1,953	3,080	—	71	5,104
Depreciation	3,956	3,278	1,575	36	8,845
Total operating expenses	16,727	15,139	4,087	1,036	36,989
Operating income (loss)	5,807	(591)	(3,085)	14	2,145
Nonoperating revenues (expenses):					
Intergovernmental	115	—	2,069	—	2,184
Interest expense	(4,026)	(1,171)	(302)	(46)	(5,545)
Total nonoperating revenues (expenses)	(3,911)	(1,171)	1,767	(46)	(3,361)
Income (loss) before capital contributions and transfers	1,896	(1,762)	(1,318)	(32)	(1,216)
Capital contributions	255	360	—	—	615
Transfers in (out)	(272)	(354)	382	(198)	(442)
Change in net assets	1,879	(1,756)	(936)	(230)	(1,043)
Total net assets – beginning	39,186	62,428	23,468	(165)	124,917
Total net assets – ending	\$ 41,065	60,672	22,532	(395)	123,874

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2003

(Amounts expressed in thousands)

	Water	Sewer	Airport	Golf Course	Totals
Cash flows from operating activities:					
Receipts from customers	\$ 23,076	15,098	1,000	1,050	40,224
Payments to suppliers	(4,851)	(7,853)	(1,278)	(819)	(14,801)
Payments to employees	(7,483)	(3,641)	(1,239)	(287)	(12,650)
Net cash provided (used) by operating activities	10,742	3,604	(1,517)	(56)	12,773
Cash flows from noncapital financing activities:					
Advance from general fund	—	—	71	—	71
Transfers in	408	120	688	—	1,216
Transfers (out)	(680)	(474)	(306)	(198)	(1,658)
Intergovernmental subsidies	115	—	1,824	—	1,939
Net cash provided (used) by noncapital financing activities	(157)	(354)	2,277	(198)	1,568
Cash flows from capital and related financing activities:					
Proceeds from capital debt	11,606	8,033	265	190	20,094
Acquisition and construction of capital assets	(2,815)	(2,821)	(691)	—	(6,327)
Principal paid on capital debt	(13,354)	(5,860)	(271)	(78)	(19,563)
Interest paid on capital debt	(3,999)	(1,130)	(299)	(43)	(5,471)
Net cash provided (used) by capital and related financing activities	(8,562)	(1,778)	(996)	69	(11,267)
Net increase (decrease) in cash and cash equivalents	2,023	1,472	(236)	(185)	3,074
Cash and cash equivalents at beginning of year	2,681	2,639	236	286	5,842
Cash and cash equivalents at end of year	\$ 4,704	4,111	—	101	8,916
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 5,807	(591)	(3,085)	14	2,145
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	3,956	3,278	1,575	36	8,845
(Increase) decrease in accounts receivable	542	551	(2)	(106)	985
Increase in accounts payable	265	389	6	—	660
Increase in judgments and claims payable	202	—	—	—	202
(Decrease) in compensated absences payable	(30)	(23)	(11)	—	(64)
Total adjustments	4,935	4,195	1,568	(70)	10,628
Net cash provided (used) by operating activities	\$ 10,742	3,604	(1,517)	(56)	12,773

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Fiduciary Net Assets

June 30, 2003

(Amounts expressed in thousands)

	Pension Trust Fund (As of December 31, 2002)	Agency Fund
Assets:		
Cash	\$ 10,949	455
Receivables:		
Intergovernmental	324	—
Interest and dividends	1,084	—
Receivable for securities sold	596	—
Total receivables	2,004	—
Investments, at fair value	451,372	—
Securities lending collateral	4,501	—
Total assets	468,826	455
Liabilities:		
Due to student groups	—	455
Accrued expenses	388	—
Intergovernmental	1,617	—
Payable for securities purchased	666	—
Securities lending collateral	4,501	—
Total liabilities	7,172	455
Net assets:		
Held in trust for pension benefits and other purposes	\$ 461,654	—

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2003

(Amounts expressed in thousands)

	Pension Trust Fund (Year Ended December 31, 2002)
Additions:	
Contributions:	
Employers	\$ 12,957
Plan members	12,393
Commonwealth of Massachusetts	3,291
Reimbursements from other systems	324
Total contributions	<u>28,965</u>
Investment earnings (loss):	
Interest and dividends	11,720
Securities lending income	208
Net depreciation in fair value of investments	(76,669)
Less: management fees	(2,876)
Less: borrower rebates and fees under securities lending program	(188)
Net investment earnings	<u>(67,805)</u>
Total additions	<u>(38,840)</u>
Deductions:	
Benefits	43,540
Reimbursements to other systems	1,617
Refunds and transfers of plan member accounts to other systems	2,185
Administrative expenses	562
Total deductions	<u>47,904</u>
Change in net assets	(86,744)
Net assets – beginning	<u>548,398</u>
Net assets – ending	<u><u>\$ 461,654</u></u>

See accompanying notes to basic financial statements.

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CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

(1) Summary of Significant Accounting Policies

The accompanying basic financial statements of the City of Worcester (the City) are presented in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

(a) Financial Reporting Entity

The City's basic financial statements present the City (the primary government) and its component units. The component units, discussed below, are included in the City's reporting entity because of the significance of their operational and financial relationship with the City.

Primary Government

The City operates under the Council-Manager form of government. Legislative authority is vested in an eleven-member City Council (the Council), of which six members are elected at-large and five are elected from districts. The School Committee, whose members are elected biennially, has exclusive jurisdiction over the City's public school system and appoints a superintendent to administer the system's day-to-day affairs.

The City provides a variety of public services. All funds of the City are included in the basic financial statements. The financial condition and results of operations of the City's funds are presented as of and for the year ended June 30, 2003, except for the City of Worcester Contributory Retirement System (WRS), which is presented as of and for the year ended December 31, 2002.

Blended Component Unit

WRS provides services almost entirely to the City. While legally separate, WRS is presented as if it were part of the primary government through a method of inclusion known as blending.

WRS is a cost-sharing, multiple-employer defined benefit pension plan established by the City on June 12, 1944 under Chapter 32 of the Massachusetts General Laws (MGL) and is regulated by the Massachusetts Public Employee Retirement Administration Commission (PERAC). WRS covers certain eligible employees of the City, the Worcester Redevelopment Authority, and the Worcester Housing Authority.

WRS is administered by a five-member Retirement Board comprised of the City Auditor, who serves *ex-officio*; two members elected by participants in or retired from service under WRS; a fourth member appointed by the City Manager; and a fifth member appointed by the other members. WRS is accounted for as a pension trust fund. Complete financial statements for WRS are publicly available and can be obtained from the Retirement Office, City Hall, Worcester, Massachusetts 01608.

Discretely Presented Component Units

These component units are reported in separate columns to emphasize that they are legally separate from the City but are included in the City's reporting entity because the City is financially accountable for them. The City is financially accountable for these organizations because it appoints

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

a voting majority of each organization's governing body and there is a potential for each organization either to provide specific financial benefits or to impose specific financial burdens on the City. The notes to the basic financial statements pertain to the primary government, unless otherwise indicated. A description of the discretely presented component units and their relationship with the City follows:

- The **Upper Blackstone Water Pollution Abatement District** (the District) is a special-purpose municipal corporation whose primary responsibility is to provide sewage treatment services to participating municipalities. The District was established under Chapter 752 of the Acts of 1968 of the Commonwealth. The District's area of potential service includes the City of Worcester, the Towns of Auburn, Boylston, Holden, Leicester, Millbury, Oxford, Paxton, Rutland, Shrewsbury, and West Boylston and all the sewer districts representing a portion of any of the above towns. The City of Worcester and the Towns of Auburn, Holden, Millbury, Rutland, West Boylston, and the Cherry Valley Sewer District of Leicester are the members of the District. The Town of Millbury and the Cherry Valley Sewer District have agreed to pay a buy-in cost for membership over four years. These payments will in turn, be paid out to existing members. The amounts have been offset in the financial statements. The District is governed by a board of directors comprised of residents of the member governments. Each member government appoints one board member, with the City appointing a sufficient number of board members to have a majority vote. Complete financial statements for the District can be obtained from the District's administrative offices at Route 20, Millbury, Massachusetts 01527.
- The **Worcester Redevelopment Authority** (WRA) was organized under state law as a body corporate and politic having the authority to oversee and direct the City's redevelopment activities. WRA exercises its redevelopment powers through a five-member board, of which four members are appointed without restriction by the City Manager. Complete financial statements can be obtained from WRA's administrative offices at Twenty Washington Square, Suite 400, Worcester, Massachusetts 01604.

Joint Venture

Municipal joint ventures pool resources to share the costs, risks, and rewards of providing services to their participants, the general public or others. The City is a participant in a joint venture to operate the Worcester Regional Transit Authority (WRTA), a component unit of the Commonwealth. Created in 1974 as a body corporate and politic and political subdivision of the Commonwealth, WRTA provides rapid transit and other mass transportation services to the City and 36 other municipalities within its jurisdiction. Each participating municipality is represented by one member on WRTA's governing board. The City's representative is appointed by the Manager. While the level of service provided to each member affects the weight of each member's vote, the City's vote does not constitute a voting majority. The City is indirectly liable for debt and other expenses incurred by WRTA. The City's assessment from WRTA for fiscal 2003 amounted to \$1,858, which represented approximately 72% of the total of such assessments on all participating cities and towns.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

Complete financial statements for WRTA can be obtained from WRTA's administrative offices at 287 Grove Street, Worcester, Massachusetts 01605.

Related Organization

The City Manager is responsible for appointing four out of five board members to the Worcester Housing Authority subject to confirmation by the City Council. However, the City's accountability for this organization does not extend beyond making these appointments.

(b) *Government-Wide and Fund Financial Statements*

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its discretely presented component units. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely for the most part on fees and charges for support. Likewise, the primary government is reported separately from legally separate component units for which the primary government is financially accountable.

The statement of activities presents both the gross and net cost per functional category. Direct expenses are those that are clearly identifiable with a specific function and program revenues must be directly associated with that function. Program revenues include charges to customers or applicants who purchase goods, services, or privileges as well as grants and contributions that are restricted to meeting operational or capital requirements of the function. Other revenue sources, such as taxes and investment earnings not properly included among program revenues, are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. However, fiduciary funds are not included in government-wide statements since these assets are held for the benefit of private parties and pension participants and cannot be used to satisfy obligations of the primary government. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

(c) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements and the proprietary, fiduciary, and component unit financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Employer contributions to the pension trust fund are recognized as revenue and recorded as a receivable when appropriated by the participating employers. Member and other contributions are recognized when due. Benefits and refunds to plan members and beneficiaries are recognized as expenses when due and payable in accordance with the terms of the plan.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues not considered available are recorded as deferred revenues.

The City also reports proprietary funds. The focus in proprietary funds is upon determination of operating income, changes in net assets, financial position, and cash flows. The City's discretely presented component units, along with the water, sewer, airport, and golf course enterprises, fit into this category. The accounting principles used are similar to those used for private sector businesses. The City and its component units apply to these funds accounting standards and interpretations of the Financial Accounting Standards Board issued on or before November 30, 1989, unless those principles conflict with or contradict pronouncements of GASB. After such date, the City follows GASB pronouncements.

The City applies the susceptible-to-accrual criteria to intergovernmental revenues. In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended for a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized as expenditures are incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible-to-accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth.

Property taxes and motor vehicle excise taxes are recorded as revenue in the year for which the taxes have been levied, provided they are collected within 60 days after year-end. Investment income is recorded as earned. Other revenues are recorded when received in cash because they are generally not measurable until actually received.

Expenditures are recorded when the liability is incurred except for (1) interest on general obligation debt, which is recorded when due; and (2) early retirement costs, claims, and judgments (including self-insurance), compensated absences and landfill closure and postclosure care costs, all of which are recorded as expenditures to the extent that they have been paid or are expected to be paid with expendable available financial resources.

The City reports the following major governmental funds:

- **General Fund** – The general fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in a separate fund.
- **Stabilization Fund** – The stabilization fund was established to reduce the impact of debt service costs on future budgets. Funding sources are primarily intergovernmental reimbursement for Medicaid-related public school expenditures and increases in school building assistance from the Commonwealth.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

The City also reports the following major enterprise funds:

- **Water Fund** – The water fund is used to account for the utility that purifies and distributes water to City users.
- **Sewer Fund** – The sewer fund is used to account for the utility that treats sewerage and storm water run-off in the City.
- **Airport Fund** – The airport fund is used to account for the operations of the City's municipal airport.
- **Golf Course Fund** – The golf course fund is used to account for the operations of the City's municipal golf course.

Additionally, the City reports the following fund types:

- **Pension Trust Fund** – The pension trust fund is used to account for the activities of WRS, which accumulates resources for pension benefit payments to qualified employees.
- **Agency Fund** – The agency fund is used to account for school activity funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the water, sewer, and golf course functions and other functions. These charges are reflected as charges to the proprietary funds and expense credits to the servicing functions.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues are those that cannot be associated directly with program activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges for services, fees, facility rental, and miscellaneous operating revenues. Operating expenses of these funds are salaries and benefits, ordinary maintenance, indirect costs, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(d) Assets, Liabilities, and Net Assets or Equity

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents consist of highly liquid financial instruments with original maturities of three months or less.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

Basis of Investment Valuation

Investments are stated at fair value. Fair values are based on quotations from a national securities exchange except for private equity and real estate funds, for which fair value is determined through estimates by fund managers.

The City's investments in private equity funds are recorded at fair market value as determined in good faith by the general partners of the private equity firms. The City's investments in real estate funds are recorded at fair value, based on independent third party appraisals as reported by the investment managers of the funds. As there is no readily available market for these investments, estimated values may differ significantly from the values that may be realized upon liquidation.

Basis of Investment Transactions

Purchases and sales of investments are recorded on the trade date. Transactions unsettled as of year-end are recorded as payables for securities purchased and as receivables for securities sold.

Property Taxes

Real and personal property taxes are based on values levied (assessed) and lien as of each January 1 in accordance with Massachusetts General Laws. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Once levied, these taxes are recorded as receivables, net of estimated uncollectibles. In the governmental fund financial statements property tax revenues have been recorded using the modified accrual basis of accounting, which is described in note 1(c). The government-wide financial statements recognize property tax revenue when taxes are levied net of estimated abatements and exemptions.

The City bills and collects its property taxes on a quarterly basis. Taxes must be billed at least 30 days prior to their due date. The scheduled due dates for quarterly tax billings are August 1, November 1, February 1 and May 1. Overdue property taxes are subject to interest and penalties. The City has an ultimate right to foreclose on properties for which taxes have not been paid.

A statewide tax limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2-1/2% of the value of all taxable property in the City. A secondary limitation is that no levy in any fiscal year may exceed the preceding year's allowable tax levy by more than 2-1/2%, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2 taxing limitations can be overridden by a City-wide referendum vote.

Inventory

The cost of supplies and other inventoriable items is recorded as an expenditure at the time of purchase (purchase method). No significant inventory balances were on hand at June 30, 2003.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, curbs, gutters, streets, sidewalks, and drainage systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5 and an estimated useful life in excess of two years. These assets are valued at cost or estimated historical cost if actual cost is not available. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use. Net interest costs related to construction projects, for business-type activities, are capitalized during the construction period if material. Such costs were not considered material during fiscal 2003. Donated capital assets are valued at their estimated fair value at the time received. Capital assets held by the discretely presented component units are accounted for in the applicable component unit. Depreciation is provided by the City and the WRA on a straight-line basis over the estimated useful lives of the assets, which are 5 to 10 years for vehicles and equipment, 40 years for facilities and 50 years for infrastructure. The District provides depreciation on a straight-line basis over the estimated useful lives of the assets, which are 3 to 20 years for equipment and 20 to 40 years for facilities.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the capital assets or capitalized in the enterprise funds.

Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, eligible employees are compensated for unused sick and vacation leave (subject to certain limitations) at specified payment rates established by contract, regulation, or policy. The cost of compensated absences for employees is recorded as earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if it has matured (i.e., come due for payment). To the extent it is probable that unused sick days will result in termination payments, a liability based on established payment rates and the City's past experience in making such termination payments, adjusted for other current factors and expectations, has been recorded.

Encumbrances and Continuing Appropriations

Encumbrance accounting, under which purchase orders, contracts, and other commitments for fund expenditures are recorded in order to reserve portions of applicable appropriations, is employed in governmental funds. Open encumbrances at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Certain unexpended and unencumbered appropriations for incomplete projects are carried over to succeeding years. Such continuing appropriations are accounted for similar to encumbrances. Other unencumbered appropriations lapse at year-end.

Other Fund Balance Reservations

Certain other reservations of fund balances have been established to indicate that the related assets are not available for discretionary appropriation (i.e., trust fund balance).

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

Securities Lending Transactions

Collateral received on securities lending transactions is reported as an asset with a corresponding liability to the borrower. The underlying securities lent to the borrower under these transactions are reported as investments. Borrower rebates and administrative fees are reported as expenses; interest and dividends on the underlying securities and related collateral are reported as revenues.

Landfill Closure and Postclosure Care Costs

State and Federal regulations require the City to place final covers on its municipal solid waste landfill (MSWLF) sites when such sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. The City determines its liability related to closure and postclosure care for all MSWLFs based on landfill capacity used to date. At June 30, 2003, 100% of the City's expected MSWLF capacity had been used and none of the sites had accepted solid waste for several years. The City has covered, is in the process of covering, or plans to cover each of its MSWLFs in accordance with applicable laws and regulations.

The liability for closure and postclosure care is estimated based on current cost, which is the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period. This estimate is subject to changes due to inflation, deflation, technology or applicable laws, and regulations. Such costs are recognized as expenditures to the extent that they have been paid or are expected to be paid with expendable available financial resources; the remaining liability is reported in the governmental activities statement of net assets. Expenditures related to MSWLF closure and postclosure care in fiscal 2003 were \$28.

Judgments and Claims

The City is uninsured with respect to risks including, but not limited to, property damage, personal injury, and workers' compensation. In the fund financial statements, expenditures for judgments and claims (other than workers' compensation and condemnation proceedings) are recorded on the basis of whether the liability has matured in the current period. Expenditures for workers' compensation are recorded when paid. Settlements relating to condemnation proceedings are reported when the liability is estimable. In the government-wide financial statements the estimated liability for all judgments and claims is recorded as a liability and as an expense.

Long-Term Liabilities

For long-term liabilities, only that portion, which is matured, is reported as a fund liability of a governmental fund. All long-term liabilities are reported in the government-wide statement of net assets. Long-term liabilities expected to be financed from discretely presented component unit operations are accounted for in those component unit financial statements.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) *Reconciliation of Government-Wide and Fund Financial Statements*

A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net assets for governmental activities as shown on the government-wide statement of net assets is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements, which comprise the reconciliation difference, stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

(2) Property Taxes

The City must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2-1/2 and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and operating transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all nonproperty tax revenue and operating transfers projected to be received by the City, including available surplus funds.

(3) Deposits, Investments, and Securities Lending

State and local statutes place limitations on the nature of deposits and investments available to the City. Deposits (including demand and term deposits) in any one financial institution may not exceed certain prescribed levels without collateralization or insurance protection by the financial institution involved. Investments can be made in securities unconditionally guaranteed by the U.S. Government with maturities of less than one year from the date of purchase, or in repurchase agreements having maturities of 90 days or less which are collateralized by such securities. The City also has the authority to purchase units in the Massachusetts Municipal Depository Trust (MMDT), a pooled fund managed for the Commonwealth. The City's pension trust fund and certain other trust funds have expanded investment powers, including the ability to invest in equity securities, corporate bonds, and other specified investments.

The composition of the City's deposits and investments fluctuates throughout the year depending primarily on the timing of property tax receipts, water and sewer revenues, proceeds from borrowings, collections of state and federal aid, and capital outlays.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

(a) Deposits

The following summary presents the amount of deposits at June 30, 2003 (except deposits of the pension trust fund, which are presented at December 31, 2002). Deposits that are fully insured or collateralized with securities held by the entity or its agent in the entity's name are shown in Category 1. Deposits collateralized with securities held by the pledging institution's trust department or agent in the entity's name are shown in Category 2. Deposits that are uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name) are shown in Category 3.

	Bank balance Category			Total bank balance	Total carrying amount
	1	2	3		
Primary government:					
Funds presented at					
June 30, 2003	\$ 1,696	—	103,451	105,147	99,375
Agency fund	—	—	455	455	455
Pension trust fund, at					
December 31, 2002	147	—	10,873	11,020	10,949
Total primary government	1,843	—	114,779	116,622	110,779
Discretely presented component units (at June 30, 2003):					
The District	100	234	3,660	3,994	3,907
WRA	200	11,580	—	11,780	11,742
Total discretely presented component units	300	11,814	3,660	15,774	15,649
Total deposits	\$ 2,143	11,814	118,439	132,396	126,428

(b) Investments

The following summary presents the amount of investments at June 30, 2003 (except investments of the pension trust fund, which are presented at December 31, 2002). Investments are categorized according to the level of risk assumed by the entity. Category 1 includes investments that are insured, registered or held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered securities held by the counterparty's trust department or its agent but not in the entity's name. MMDT, pooled funds, international equity funds, real estate funds, and venture capital funds are not categorized because they are managed investment pools.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

	Carrying amount			Not categorized	Fair value
	Category 1	2	3		
Primary government:					
Funds presented at June 30, 2003:					
MMDT	\$ —	—	—	100	100
Money market funds	—	—	65	—	65
U.S. Government obligations	1,806	—	—	—	1,806
Debt securities	2,626	—	—	—	2,626
Common and preferred stocks	4,677	—	—	—	4,677
Subtotal funds presented at June 30, 2003	9,109	—	65	100	9,274
Pension fund, at December 31, 2002:					
U.S. Government obligations	24,057	—	—	—	24,057
Debt securities	49,043	—	—	—	49,043
Common and preferred stocks	106,368	—	—	—	106,368
Pooled domestic equity funds	—	—	—	80,215	80,215
Pooled domestic fixed income funds	—	—	—	49,556	49,556
Pooled international equity funds	—	—	—	67,414	67,414
Real estate funds	—	—	—	53,057	53,057
Private equity funds	—	—	—	17,567	17,567
	179,468	—	—	267,809	447,277
Investments held by broker-dealer under securities loans:					
Common and preferred stocks	—	—	—	3,324	3,324
Debt securities	—	—	—	771	771
	—	—	—	4,095	4,095
Subtotal pension fund	179,468	—	—	271,904	451,372
Total primary government	188,577	—	65	272,004	460,646
Discretely presented component units:					
The District:					
Short-term investments	100	—	—	—	100
U.S. Government obligations	—	8,973	—	—	8,973
Common and preferred stocks	—	637	—	—	637
Money market funds	—	55	—	—	55
Total discretely presented component units	100	9,665	—	—	9,765
Total investments	\$ 188,677	9,665	65	272,004	470,411
Pension fund, at December 31, 2002:					
Securities lending short-term collateral investment pool	\$ —	—	—	4,501	4,501

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

(c) *Securities Lending*

The Massachusetts Division of Public Employee Retirement Administration Commission (PERAC) has issued supplemental regulations that permit WRS to engage in securities lending transactions. These transactions are conducted by one of WRS's brokers, which lends certain securities owned by WRS to other broker-dealers and banks pursuant to a form of loan agreement. WRS and the borrowers maintain the right to terminate all securities lending transactions on demand.

The broker lends, at the direction of WRS, WRS's securities and cash received (including both U.S. and foreign currency), U.S. Government securities, sovereign debt of foreign countries and irrevocable bank letters of credit as collateral. The broker does not have the ability to pledge or sell collateral securities delivered unless the borrower defaults. Borrowers are required to deliver cash collateral in amounts equal to not less than 100% of the fair value of the loaned securities.

WRS does not impose any restrictions on the amount of securities lent on its behalf by the broker. There were no failures by any borrowers to return loaned securities or pay distributions thereon, nor were there any losses from default of the borrowers or the broker for the year ended December 31, 2002. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. The relationship between the average maturities of the investment pool and loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which WRS could not determine. At December 31, 2002, WRS had no credit risk exposure to borrowers because the amounts WRS owed the borrowers exceeded the amounts owed to WRS. The cash collateral held and the fair value of securities on loan for WRS at December 31, 2002 were \$4,501 and \$4,095, respectively. Gross income received under the program in 2002 was \$208, and borrower rebates and fees paid to the custodian were \$188.

(4) City of Worcester Contributory Retirement System (WRS or the Plan)

(a) *Plan Description and Membership*

The City provides pension benefits to certain employees through WRS, a cost-sharing, multiple-employer public employee retirement system regulated by PERAC. WRS is a defined benefit pension plan that covers eligible employees of the City (which includes the Worcester Redevelopment Authority) and the Worcester Housing Authority. For the year ended June 30, 2003, the City's payroll for employees covered by WRS was approximately \$132,000; the City's total payroll was approximately \$292,000.

Membership in WRS is mandatory immediately upon commencement of employment for all permanent, full-time employees working at least 20 hours weekly, except for (1) employees eligible to participate in the Massachusetts Teachers' Retirement System (as discussed in note 5); and (2) employees of the District, who are covered by the State Retirement System. Disclosures applicable to the District's retirement plan are not material.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

Membership in WRS was as follows at December 31, 2002:

Active employees	3,628
Pensioners and beneficiaries	2,995
Inactive employees with vested rights	<u>1,064</u>
Total members	<u><u>7,687</u></u>
Number of participating employers	<u><u>2</u></u>

(b) Significant Plan Provisions and Requirements

Benefit provisions and contribution requirements of WRS are established by state law.

Members of WRS become vested after 10 years of creditable service. Normal retirement occurs at age 65 except for special situations and the City's police officers and firefighters, whose normal retirement age is 55. Retired employees receive an allowance based upon the average of their three highest average salary years of service multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 65, this percentage is 2.5%, which is reduced for individuals who retire prior to age 65 to reflect the longer payout period. Employees may elect early retirement after 20 years of service or at any time after attaining age 55 with 10 years of eligible service. Plan members who become permanently and totally disabled may be eligible to receive a disability retirement allowance.

The amount of benefits to be received depends on several factors, including the member's age, compensation, veteran status, years of creditable service, and whether or not the disability is work-related. In addition, certain death benefits exist for beneficiaries of employees who die in active service.

(c) Funding Policy

Depending on their employment date, active Plan members must contribute either 5%, 7%, 8%, or 9% of their gross regular compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30. These deductions earn interest at a rate determined by PERAC that vests based upon years of service.

Member employers are required to contribute the remaining amounts necessary to finance benefits, except for certain cost-of-living adjustments (COLAs) granted before July 1, 1998, which are reimbursed by the Commonwealth.

The City's required and actual contributions to WRS for the years ended December 31, 2002, 2001, and 2000 were \$11,606, \$8,363, and \$7,556, respectively.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

(d) Legally Required Reserve Accounts

The balances in WRS's legally required reserves as of December 31, 2002 are as follows:

Description	Amount	Purpose
Annuity Savings Fund	\$ 111,507	Active members' contribution balance
Annuity Reserve Fund	48,324	Retired members' contribution account
Military Service Fund	20	Members' contribution account while on military leave
Pension Reserve Fund	134,040	Amounts appropriated to fund future retirement benefits
Pension Fund	<u>167,763</u>	Remaining net assets
Total	<u>\$ 461,654</u>	

All reserve accounts are funded at levels required by state law.

(5) Massachusetts Teachers' Retirement System, a Noncontributing Employer Plan

(a) Plan Description

Teachers, certain administrators, and other professionals of the School Department participate in a contributory defined benefit plan administered by the Massachusetts Teachers' Retirement System. The City's payroll covered by this plan in fiscal 2003 was approximately \$135,000. Eligibility requirements for participation are as follows:

- The employee must be employed on at least a half-time basis in a contracted professional position within a public school system located in Massachusetts.
- The employee must be certified by the Massachusetts Department of Education for a position, which requires certification.

Benefit provisions and contribution requirements are established by state law.

Participation in the plan requires that members contribute a fixed percentage of their compensation (either 5%, 7%, 8%, or 9%) each pay period. This percentage varies depending upon the date of employment. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30. Employee contributions vest immediately. After 10 years of service employee benefits become fully vested. After 20 years of service, or upon having attained the age of 55 with at least 10 years of service, employees are eligible to receive benefits under the plan. Benefits are based on the average of the three highest-salaried years of employee service and are determined in a manner similar to the provisions of WRS (see note 4). MGL Chapter 114 of the Acts of 2000 allows for all eligible members of the Massachusetts Teachers' Retirement System to contribute at a flat 11% rate as of July 1, 2001 in order to receive a retirement benefit enhancement. This benefit enhancement requires a minimum of five years of contribution at this 11% rate and at least thirty years of creditable service in order to receive accelerated retirement benefits up to the

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

statutory maximum of 80%. Contribution at this 11% was voluntary for existing members of the retirement system and is mandated to all new members as of July 1, 2001.

The City has no obligation to contribute to this plan. The Commonwealth funds plan benefits to the extent that funding is not provided through employee contributions. However, the Commonwealth does not separately calculate the amount of its annual contribution attributable to benefits earned by City employees.

(b) *Special Termination Benefits*

In prior years, the City elected to make certain employees who participate in the Massachusetts Teachers' Retirement System eligible for an early retirement incentive program. The remaining additional accrued liability incurred as of June 30, 2003 was \$2,492. This liability has been recorded in the applicable governmental activities statement of net assets. Scheduled payments are as follows:

Year ending June 30:	Amount
2004	\$ —
2005	375
2006	390
2007	406
2008	423
2009-2010	898
	<u>\$ 2,492</u>

(6) Other Postemployment Benefits

In addition to the pension benefits described in notes 4 and 5, the City provides health and life insurance benefits to retirees, their dependents and beneficiaries in accordance with MGL Chapter 32B under various contributory plans. Specific benefit provisions and contribution rates are established by collective-bargaining agreements, state law, and City ordinance. Currently, approximately 4,400 retirees are eligible to receive such benefits. All benefits are provided through third-party insurance carriers and health maintenance organizations who administer, assume, and pay all claims. Depending on the plan involved, between 50% and 90% of premiums are paid for by the City, with the remainder funded through pension benefit deductions. During fiscal 2003, expenditures for other postemployment benefits, net of participant contributions, were \$14,417.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

(7) Capital Assets

Capital asset activity for the year ended June 30, 2003 was as follows:

Primary Government

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,778	—	—	11,778
Construction in progress	24,006	12,261	2,248	34,019
Total capital assets, not being depreciated	<u>35,784</u>	<u>12,261</u>	<u>2,248</u>	<u>45,797</u>
Capital assets, being depreciated:				
Buildings	313,611	4,422	—	318,033
Improvements other than buildings	7,147	1,153	—	8,300
Rolling equipment	17,887	1,914	98	19,703
Equipment and other	10,748	1,410	16	12,142
Infrastructure	98,403	3,928	—	102,331
	<u>447,796</u>	<u>12,827</u>	<u>114</u>	<u>460,509</u>
Less accumulated depreciation for:				
Buildings	85,480	8,926	—	94,406
Improvements other than buildings	410	292	—	702
Rolling equipment	10,073	2,001	98	11,976
Equipment and other	3,968	1,424	16	5,376
Infrastructure	38,057	4,786	—	42,843
	<u>137,988</u>	<u>17,429</u>	<u>114</u>	<u>155,303</u>
Total capital assets, being depreciated, net	<u>309,808</u>	<u>(4,602)</u>	<u>—</u>	<u>305,206</u>
Governmental capital assets, net	<u>\$ 345,592</u>	<u>7,659</u>	<u>2,248</u>	<u>351,003</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 126
Public safety	1,886
Public works	5,567
Education	5,925
Library	750
Health and human services	264
Culture and recreation	<u>2,911</u>
Total depreciation expense – governmental activities	<u>\$ 17,429</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

	Beginning balance	Increases	Decreases	Ending balance
Business-type activities:				
Water:				
Capital assets, not being depreciated:				
Land	\$ 34	—	—	34
Construction in progress	217	319	217	319
Total capital assets, not being depreciated	251	319	217	353
Capital assets, being depreciated:				
Buildings	38,946	—	—	38,946
Rolling equipment	1,673	489	354	1,808
Infrastructure	103,067	2,455	—	105,522
Equipment and other	626	15	121	520
Total capital assets, being depreciated	144,312	2,959	475	146,796
Less accumulated depreciation for:				
Buildings	8,075	976	—	9,051
Rolling equipment	1,046	201	354	893
Infrastructure	22,438	2,725	—	25,163
Equipment and other	480	54	121	413
	32,039	3,956	475	35,520
Total capital assets, being depreciated, net	112,273	(997)	—	111,276
Water capital assets, net	112,524	(678)	217	111,629
Sewer:				
Capital assets, not being depreciated:				
Land	117	—	—	117
Construction in progress	80	117	80	117
Total capital assets, not being depreciated	197	117	80	234
Capital assets, being depreciated:				
Buildings	2,367	—	—	2,367
Rolling equipment	2,300	198	336	2,162
Infrastructure	113,615	2,913	—	116,528
Equipment and other	170	43	47	166
Total capital assets, being depreciated	118,452	3,154	383	121,223
Less accumulated depreciation for:				
Buildings	567	65	—	632
Rolling equipment	1,147	233	336	1,044
Infrastructure	37,111	2,967	—	40,078
Equipment and other	141	13	47	107
Total accumulated depreciation	38,966	3,278	383	41,861
Total capital assets, being depreciated, net	79,486	(124)	—	79,362
Sewer capital assets, net	79,683	(7)	80	79,596

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

	Beginning balance	Increases	Decreases	Ending balance
Airport:				
Capital assets, not being depreciated:				
Land	\$ 106	—	—	106
Construction in progress	153	168	153	168
Total capital assets, not being depreciated	259	168	153	274
Capital assets, being depreciated:				
Buildings	17,191	—	—	17,191
Rolling equipment	1,210	—	31	1,179
Infrastructure	19,459	490	—	19,949
Equipment and other	360	36	—	396
Total capital assets, being depreciated	38,220	526	31	38,715
Less accumulated depreciation for:				
Buildings	3,234	434	—	3,668
Rolling equipment	747	109	31	825
Infrastructure	6,085	995	—	7,080
Equipment and other	132	37	—	169
Total accumulated depreciation	10,198	1,575	31	11,742
Total capital assets, being depreciated, net	28,022	(1,049)	—	26,973
Airport capital assets, net	28,281	(881)	153	27,247
Golf course:				
Capital assets, being depreciated:				
Buildings	109	—	—	109
Infrastructure	633	—	—	633
Equipment and other	6	—	—	6
Total capital assets, being depreciated	748	—	—	748
Less accumulated depreciation for:				
Buildings	78	4	—	82
Infrastructure	174	31	—	205
Equipment and other	3	1	—	4
Total accumulated depreciation	255	36	—	291
Total capital assets, being depreciated, net	493	(36)	—	457
Golf course capital assets, net	493	(36)	—	457
Business-type activities capital assets, net	\$ 220,981	(1,602)	450	218,929

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

	Beginning balance	Increases	Decreases	Ending balance
Discretely Presented Component				
Units – The District:				
Capital assets, not being depreciated:				
Land	\$ 702	—	—	702
Construction in progress	26,677	4,546	24,670	6,553
Total capital assets, not being depreciated	27,379	4,546	24,670	7,255
Capital assets, being depreciated:				
Treatment facilities	29,857	24,600	—	54,457
Equipment and other	6,461	284	—	6,745
Total capital assets, being depreciated	36,318	24,884	—	61,202
Less accumulated depreciation for:				
Treatment facilities	15,986	2,440	—	18,426
Equipment and other	4,332	530	—	4,862
Total accumulated depreciation	20,318	2,970	—	23,288
Total capital assets, being depreciated, net	16,000	21,914	—	37,914
The District's capital assets, net	\$ 43,379	26,460	24,670	45,169
Discretely Presented Component				
Units – WRA:				
Capital assets, not being depreciated:				
Land	\$ 2,386	—	—	2,386
Construction in progress	1,443	—	—	1,443
Total capital assets, not being depreciated	3,829	—	—	3,829
Capital assets, being depreciated:				
Buildings	47,527	205	—	47,732
Equipment and other	72	—	—	72
Total capital assets, being depreciated	47,599	205	—	47,804
Less accumulated depreciation for:				
Buildings	2,243	1,219	—	3,462
Equipment and other	55	9	—	64
Total accumulated depreciation	2,298	1,228	—	3,526
Total capital assets, being depreciated, net	45,301	(1,023)	—	44,278
WRA capital assets, net	\$ 49,130	(1,023)	—	48,107

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

Construction Commitments

The City has active construction projects as of June 30, 2003. The projects include the renovation of the police station, building renovations, new school replacements/additions, school renovations, street and land improvement projects. At year-end, the City's commitments with contractors are as follows.

Project	Spent through June 30, 2003	Remaining commitment
Land improvements	\$ 392	924
Building renovations	472	573
Police station renovations	533	198
Street improvements	566	707
School renovations	655	967
New school construction	29,984	66,306
Total	<u>\$ 32,602</u>	<u>69,675</u>

The commitments for the police station, building renovations and school projects are being funded by general obligation bonds. The commitments for the street improvements are being funded by a Massachusetts highway grant and a federal economic development grant. The commitments for the land improvement projects are being funded by a state grant, federal grant and general obligation bonds.

(8) Operating Leases

The City leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases were \$974 for the year ended June 30, 2003. The future minimum lease payments for these leases are as follows:

	Amount
Year ending June 30:	
2004	\$ 237
2005	29
	<u>\$ 266</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

(9) Long-Term Obligations

(a) Primary Government

The following is a summary of changes in non-current governmental bond principal and other long-term obligations, including portions due within one year, as reported in the statement of net assets.

	Interest percentage range	Outstanding beginning of year	Additions	Reductions	Outstanding end of year	Due within one year
General obligation bonds:						
Inside debt limit	(3.0%-8.0%)	\$ 82,048	8,148	12,834	77,362	10,726
Outside debt limit	(3.0%-8.5%)	370,635	22,264	18,521	374,378	16,495
Accrued early retirement costs, net		2,492	—	—	2,492	—
Judgments and claims		14,731	2,182	2,536	14,377	1,337
Compensated absences		11,378	7,979	8,574	10,783	7,421
Landfill closure and postclosure care costs		5,439	—	28	5,411	—
Less: unamortized deferred amounts on refundings		(32)	(107)	(16)	(123)	—
		<u>\$ 486,691</u>	<u>40,466</u>	<u>42,477</u>	<u>484,680</u>	<u>35,979</u>

For governmental activities, accrued early retirement, claims and judgments, and compensated absences are generally liquidated by the general fund. Landfill closure and postclosure care is generally liquidated by the capital project fund.

The following is a summary of changes in non-current business-type bond principal and other long-term obligations, including portions due within one year as reported in the statement of net assets.

	Interest percentage range	Outstanding beginning of year	Additions	Reductions	Outstanding end of year	Due within one year
General obligation bonds:						
Inside debt limit	(3.0%-9.0%)	\$ 8,507	2,044	1,994	8,557	1,614
Outside debt limit	(3.0%-9.0%)	92,829	10,754	10,971	92,612	7,065
Judgments and claims		443	316	114	645	165
Compensated absences		697	591	655	633	534
Less: unamortized deferred amounts on refundings		(227)	(68)	(38)	(257)	—
		<u>\$ 102,249</u>	<u>13,637</u>	<u>13,696</u>	<u>102,190</u>	<u>9,378</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

(b) *Maturity of Bond Indebtedness*

Bond indebtedness outstanding at June 30, 2003 matures as follows:

	Governmental activities		Business-type activities			
	General fund		Water		Sewer	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:						
2004	\$ 27,221	23,792	6,237	3,653	1,996	1,035
2005	26,290	22,486	6,380	3,357	1,865	952
2006	25,127	21,121	5,248	3,100	1,380	901
2007	23,948	19,975	5,105	2,814	1,502	801
2008	20,868	18,883	4,650	2,567	1,386	741
2009-2013	96,448	87,879	22,066	9,239	5,444	2,442
2014-2018	93,923	61,506	20,345	3,218	5,437	1,154
2019-2023	68,300	33,081	3,441	316	2,846	228
2024-2028	69,615	13,579	—	—	—	—
	<u>\$ 451,740</u>	<u>302,302</u>	<u>73,472</u>	<u>28,264</u>	<u>21,856</u>	<u>8,254</u>
	Business-type activities		Business-type activities		Business-type activities totals	
	Airport		Golf		activities totals	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:						
2004	\$ 339	281	107	39	8,679	5,008
2005	358	261	107	34	8,710	4,604
2006	378	240	107	30	7,113	4,271
2007	393	217	106	25	7,106	3,857
2008	353	194	53	22	6,442	3,524
2009-2013	1,840	657	324	61	29,674	12,399
2014-2018	1,294	121	50	15	27,126	4,508
2019-2023	2	—	30	2	6,319	546
	<u>\$ 4,957</u>	<u>1,971</u>	<u>884</u>	<u>228</u>	<u>101,169</u>	<u>38,717</u>

(c) *Authorized and Unissued Debt*

The City is subject to a dual-level general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 2-1/2% and 5%, respectively, of the valuation of taxable property in the City as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Emergency Finance Board. Additionally, certain categories of general obligation debt are exempt from the debt limit but subject to other limitations.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

Authorized and unissued debt at June 30, 2003 is as follows:

Inside debt limit:

School construction	\$	42,150
Building rehabilitation		16,336
Building rehabilitation, Auditorium		9,200
Departmental equipment		6,558
Street construction		3,909
Worcester Common rehabilitation		2,000
Parks improvements		1,335
Urban Systems Gateway		602
Building rehabilitation-Quinsigamond School		500
Building demolition		419
Bridge construction		359
Land acquisition		225
Webster Street Fire Station construction		200
Dam improvements		200
Sewer infiltration and inflow		150
Gateway bridge construction		105
Building rehabilitation, Hope Cemetery nursery		100
Library design		60
Surface drain construction		50
Total inside debt limit		<u>84,458</u>

Outside debt limit:

Vocational School construction	\$	82,225
Medical Center land acquisition		5,965
Sewer construction		4,261
Water mains		4,024
Union Station		2,850
Water filtration		2,735
School construction		2,675
Airport improvements		1,650
Sewer construction-Southbridge St.		1,344
Water equipment		1,157
Greenhill Park improvements		1,050
Landfill closure		970
Reservoir rehabilitation		850
Watershed land		400

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

Surface drain construction	\$	360
Water meters		325
Sewer drainage (trunk)		300
Sewer pumping facility		250
Water pump station rehabilitation		150
Water leak detection		120
Dam improvements		105
Reservoir remodeling		55
Water reservoir tank		10
		<hr/>
Total outside debt limit		113,831
		<hr/>
Total inside and outside debt limit	\$	198,289
		<hr/>

At June 30, 2003, in addition to debt authorized but unissued, the City may issue \$10,842 of additional general obligation debt under the normal debt limit. The City had \$466,992 of outstanding debt exempt from the debt limit.

(d) Advance Refundings

On June 15, 2003, the City issued \$9,520 in general obligation bonds to advance-refund outstanding debt obligations. Series A was issued in the amount of \$8,415 with an average interest rate of 4.37% to advance-refund \$8,245 of various other bonds with an average interest rate of 5.58%. Series B was issued in the amount of \$1,105 with an average interest rate of 4.00% to advance-refund \$1,100 of various other bonds with an average interest rate of 5.58%. The transaction met the requirements of an "in-substance defeasance" as defined by accounting principles generally accepted in the United States of America, and as a result, the liability for the refunded bonds have been removed from the financial statements. The transaction resulted in a reduction of approximately \$777 in debt service payments over the remaining life of the bonds, and an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$754.

The principal amount of debt refunded through prior year in-substance defeasance transactions and still outstanding at June 30, 2003 was \$65,025.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

(e) Discretely Presented Component Units – The District

Long-term obligations consisted of the following at June 30, 2003:

1997 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The bonds are payable in varying principal amounts at an average coupon rate of 5.406% with a final payment due February 1, 2017.	\$ 10,761
1999 General Obligation Bonds payable in varying annual installments at an average coupon rate of 5.32% with a final payment due August 1, 2019.	10,145
1999 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 5.83% with a final payment due February 1, 2020.	947
2001 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 5.667% with a final payment due February 1, 2021.	468
2003 General Obligation Bonds payable in varying annual installments at an average coupon rate of 5.14% with a final payment due March 15, 2023.	11,000
Other	408
	<u>33,729</u>
Less portion due within one year	<u>(1,712)</u>
Amount due in more than one year	<u>\$ 32,017</u>

Scheduled bond principal and interest repayments and related anticipated subsidies are as follows:

	Gross payments			Anticipated subsidy	Net payments
	Principal	Interest	Total		
Year ending June 30:					
2004	\$ 1,441	1,606	3,047	656	2,391
2005	1,492	1,534	3,026	637	2,389
2006	1,550	1,461	3,011	618	2,393
2007	1,609	1,384	2,993	598	2,395
2008	1,680	1,307	2,987	577	2,410
2009-2013	9,402	5,311	14,713	2,559	12,154
2014-2018	10,512	2,777	13,289	1,654	11,635
2019-2023	5,635	657	6,292	82	6,210
	<u>\$ 33,321</u>	<u>16,037</u>	<u>49,358</u>	<u>7,381</u>	<u>41,977</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

(f) Discretely Presented Component Units – WRA

Long-term obligations consisted of the following at June 30, 2003:

Due to primary government consisted of the following as of June 30:

Note payable, City of Worcester, unsecured, with interest calculated at the rate paid by the City on the sale of its general obligation bonds (3.000% as of June 30, 2003).	\$	14
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Note payable, City of Worcester, unsecured, with interest calculated at the rate paid by the City on the sale of its general obligation bonds (3.000% as of June 30, 2003).		100
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Note payable, City of Worcester, unsecured, with interest calculated at the rate paid by the City on the sale of its general obligation bonds (3.000% as of June 30, 2003).		148
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Note payable, City of Worcester, unsecured, with interest calculated at the rate paid by the City on the sale of its general obligation bonds (3.000% as of June 30, 2003).		440
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Note payable, City of Worcester, unsecured, with interest calculated at the rate paid by the City on the sale of its general obligation bonds (4.620% as of June 30, 2003).		440
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Note payable, City of Worcester, unsecured, with interest calculated at the rate paid by the City on the sale of its general obligation bonds (5.147% as of June 30, 2003).		598
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Other amounts payable to primary government		<u>1,581</u>
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Subtotal - due to primary government		<u>3,321</u>
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Bond notes payable, secured by garage revenues and grant proceeds, due in installments of principal from June 2004 through June 2019. Interest is due semi-annually at rates varying from 4.40% to 6.00% during the life of the obligation.		16,860
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Plus unamortized bond premium		<u>8</u>
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		<u>16,868</u>
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Subtotal - long-term obligations		20,189
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Less portion due within one year		<u>(13,164)</u>
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Amount due in more than one year	\$	<u><u>7,025</u></u>
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CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

Scheduled bond and note principal and interest repayments are as follows:

	Gross repayments		
	Principal	Interest	Total
Year ending June 30:			
2004	\$ 10,835	905	11,740
2005	280	308	588
2006	290	296	586
2007	305	281	586
2008	320	266	586
2009-2012	1,455	894	2,349
2013-2017	—	886	886
2018-2021	3,375	339	3,714
	16,860	\$ 4,175	21,035
Plus unamortized premium	8		
	\$ 16,868		

(10) Temporary Borrowings

(a) Primary Government

Under state law and by authorization of the City Council, the City is authorized to borrow on a temporary basis to fund the following:

- Current operating costs prior to the collection of revenues through the issuance of revenue or tax anticipation notes (RANs or TANs);
- Special revenue, capital project, and enterprise fund costs incurred prior to obtaining permanent financing through the issuance of bond anticipation notes (BANs); and
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through the issuance of federal and state aid anticipation notes (FAANs and SAANs).

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

Temporary loans are general obligations of the City and carry maturity dates limited by statute. Interest expenditures on temporary borrowings for the year ended June 30, 2003 in the general fund, stabilization fund, special revenue fund and business-type activities were \$74,619, \$100,827, \$439,062 and \$92,098, respectively. At June 30, 2003, the following 1.80% to 4.50% BANs (maturing through August 2003) were outstanding:

	Outstanding as of June 30, 2002	Additions	Reductions	Outstanding as of June 30, 2003
Bond anticipation notes payable:				
General	\$ 18,710	18,530	18,710	18,530
School	9,700	5,755	9,700	5,755
Water	3,440	3,575	3,440	3,575
Sewer	3,090	3,665	3,090	3,665
Airport	—	40	—	40
Golf Course	—	15	—	15
	<u>\$ 34,940</u>	<u>31,580</u>	<u>34,940</u>	<u>31,580</u>

(b) Subsequent Event

On July 1, 2003, the City issued \$31,580,000 of general obligation bonds to refinance BANs outstanding at June 30, 2003.

(11) Fund Deficits

The following funds had deficits at June 30, 2003:

	Deficit amount
Capital Projects Funds:	
Medical Center	\$ 5,965
Rehabilitation of Public Buildings	3,201
Capital Acquisitions	2,425
School Construction	1,626
Street and Sidewalks	1,219

The deficits in these funds will be eliminated through intergovernmental revenues and future bond issues.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

(12) Transfers

Transfers and their purposes during the year ended June 30, 2003 were as follows:

	Governmental funds			Enterprise funds			
	General Fund	Stabilization Fund	Other Governmental Funds	Water Fund	Sewer Fund	Airport Fund	Golf Fund
Damage settlements- reimbursement for damage to city property	\$ 299	—	(300)	1	—	—	—
Damage settlements- to fund operating costs	115	—	(115)	—	—	—	—
Premium on loans-to fund operating costs	611	—	(611)	—	—	—	—
Federal reimbursement-to fund indirect services related to federal grants	925	—	(925)	—	—	—	—
Federal reimbursement-to fund Airport operations	—	—	(72)	—	—	72	—
Cemetery lot sales- reimbursement of parks operational costs	45	—	(45)	—	—	—	—
Parking-to cover parking operations	278	—	(278)	—	—	—	—
Sewer connection fees to fund public works engineering operations	81	—	(81)	—	—	—	—
Sewer construction permits- to fund public works engineering operations	10	—	(10)	—	—	—	—
Charter school tuition to fund school operations	1,075	—	(1,075)	—	—	—	—
MEMA reimbursement to fund snow and ice removal	530	—	(530)	—	—	—	—
Passenger facility fees-to fund airport operations	—	—	(59)	—	—	59	—
General fund-to fund debt payments	(8,844)	8,844	—	—	—	—	—
General fund-to fund airport operating costs	(558)	—	—	—	—	558	—
Enterprises-to fund debt payments	1,259	—	—	(681)	(474)	(81)	(23)
Capital-to fund capital project acquisitions	—	—	(127)	408	120	(226)	(175)
Total	\$ (4,174)	8,844	(4,228)	(272)	(354)	382	(198)

(13) Environmental Remediation – The District

(a) Plant Improvements

In settlement of its appeal of its National Pollutant Discharge Elimination System (NPDES) permit, the District entered into a consent agreement with the U. S. Environmental Agency to implement a plant improvement plan that will achieve more stringent discharge standards within the coming 15 years. The plan was developed through District facilities planning, completed to identify the most

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

cost-effective approach to modernizing the District's 25-year-old plant and achieving revised standards for the river.

The plan envisions completion of design and construction of the facilities needed to achieve new standards by August 2009 with design and construction of other facilities (solids management facilities and future capacities) occurring on an as-needed basis. This results on a four phased approach to construction of the facilities.

Phase I	Peak flow management, headworks, primary treatment, disinfection, odor control, and miscellaneous other support systems. (approx. \$62,500)
Phase II	Advanced treatment facilities required for projected 2010 flows. (approx. \$40,500)
Phase III	Solids management facilities. (approx. \$9,700)
Phase IV	Facilities required for future flows (beyond 2010). (approx. \$17,300)

The above referenced costs are planning level estimates escalated to the mid-point of construction of each phase, with the total cost estimated to be \$130,000 in escalated dollars (about \$105,000 current cost). In accordance with the District's agreement with EPA, Phase I is to be completed in 2006, and Phase II by August 2009. Phases III and IV are not required within the EPA agreement. The solids management improvement slated for Phase III can be completed as needed, or as finances permit. Phase IV facilities would only be completed if sufficient regional growth occurs to warrant their construction.

The District intends to finance the above costs through long-term borrowing. As of June 30, 2003, the District has spent and capitalized approximately \$4,817, including capitalized interest of \$127.

(b) Incinerator Project

In addition, the District is improving its incinerators to meet new standards established by the Clean Air Act. Through June 30, 2003, the District has spent approximately \$23,565 on this project, including \$634 in capitalized net interest costs. The District has obtained \$14,307 in long-term financing from the Massachusetts Water Pollution Abatement Trust and issued \$7,092 in bonds to finance project. The project was deemed complete by the District as of June 30, 2003. In November 2002, the District's dispute with the contractor over the functioning of the system was settled through binding arbitration. The contractor was awarded \$1,018 (retainage of \$694 and interest of \$324).

(c) Facility Plan

The objective of the project is to complete facility planning for the Upper Blackstone Water Pollution Abatement District (UBWPAD). Planning will encompass a review of the wastewater quantities and characteristics of the communities within the District's statutory service area, including both member and nonmember communities; a comprehensive evaluation of existing facilities; screening and identification of process improvements and additions needed to achieve revised effluent standards; and recommendations for a capital improvement program aimed at

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

provision of the recommended improvements over a ten-year period. The project will provide comprehensive management planning upon which the District will base future decisions related to treatment plant improvements. The project encompasses the statutory District service area, including the City and surrounding Towns of Auburn, Boylston, Holden, Leicester, Millbury, Oxford, Paxton, Rutland, Shrewsbury, and West Boylston.

A draft plan was completed in May 2001. The plan recommends completion of phased improvements (see plant improvements). Pilot plant studies of the recommended process improvements have commenced as part of the facility plan. Design of the first phase of the improvement commenced in fiscal year 2002.

The facility plan cost, estimated at \$2,000, will be financed by a state revolving fund loan. As of June 30, 2003, the District has spent and capitalized approximately \$1,668 on this project, including capitalized interest of \$15.

(d) *Site Security and Maintenance Garage*

As part of highway improvements in the area of the District's wastewater treatment facilities, it was necessary to relocate its entrance and maintenance vehicle storage garage. An electric security system, traffic circulation improvements and a new vehicle storage facility were completed in the fall of 2002.

The project, which cost approximately \$2,000 including capitalized interest of \$58, was financed by bonds.

(14) Risk Management

The City is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment, and employee health and life insurance claims.

Buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed \$100 per incident. The City is self-insured for other types of general liability; however, Chapter 258 of Massachusetts General Laws limits the City's liability to a maximum of \$100 per claimant in all matters except actions relating to Federal civil rights, eminent domain, and breach of contract. The City is also self-insured for unemployment and workers' compensation.

The City provides premium-based health and life insurance to employees through plans in which all claims are administered, assumed, and paid by third-party carriers. Between 75% and 90% of premium costs are funded by the City, depending on the plan involved. The remainder of such costs is funded through payroll deductions. The City also provides health and life insurance benefits to certain retirees, as discussed in note 6.

Liabilities for self-insured judgments and claims are recorded in the entity wide financial statements if it is probable that a loss has been incurred and the amount can be reasonably estimated. The City accounts for its self-insurance costs that have matured in the general fund in the fund-basis statements.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2003

(In thousands of dollars)

The City has established a liability for judgments and claims based on a case-by-case review of all known claims, estimates of losses incurred but not reported, incremental costs incurred only because of claims, historical trends of previous years, and attorneys' estimates of pending matters and lawsuits in which the City is involved.

Changes in the self-insurance liability for the years ended June 30, 2003 and 2002 were as follows:

	<u>2003</u>	<u>2002</u>
Judgments and claims, beginning of year	\$ 15,174	15,719
Additions to estimated claims liability	2,498	2,522
Payments of claims attributable to events of the current and prior fiscal years:		
Court judgments and legal settlements	(775)	(1,247)
Workers' compensation	<u>(1,875)</u>	<u>(1,820)</u>
Judgments and claims, end of year	\$ <u>15,022</u>	<u>15,174</u>

Judgments and claims consisted of the following at June 30:

	<u>2003</u>	<u>2002</u>
Workers' compensation	\$ 12,847	12,424
Court judgments and legal settlements	<u>2,175</u>	<u>2,750</u>
	\$ <u>15,022</u>	<u>15,174</u>

The liability for judgments and claims consist of governmental and business-type activities in the amount of \$14,377 and \$645, respectively.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The liability for workers' compensation is reported at net present value using a discount rate of 5.5%.

There are various other pending matters and lawsuits in which the City is involved. The City and its legal counsel estimate that the potential claims against the City not recorded in the accompanying basic financial statements resulting from such litigation would not materially affect the City's financial position.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

Year ended June 30, 2003

(Amounts expressed in thousands)

General Fund

Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual – Budgetary Basis

	Budget		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Property taxes	\$ 145,369	145,968	148,632	2,664
Motor vehicle excise taxes	12,100	12,100	13,862	1,762
Penalties and interest on taxes	1,886	1,886	2,702	816
Other taxes and in-lieu payments	1,761	1,761	2,214	453
Licenses and permits	4,411	4,411	5,266	855
Intergovernmental	212,759	212,229	210,289	(1,940)
Charges for services	4,275	4,276	3,614	(662)
Fines and forfeitures	2,500	2,500	2,636	136
Investment earnings	2,200	2,200	664	(1,536)
Miscellaneous	1,030	1,030	763	(267)
Total revenues	388,291	388,361	390,642	2,281
Expenditures:				
General government:				
Council	237	237	237	—
Mayor	97	102	102	—
Manager	1,981	1,790	1,789	1
Auditor	471	563	563	—
Treasurer and Collector	1,726	1,750	1,750	—
Assessor	771	714	714	—
License Commission	13	13	12	1
Law	1,239	1,314	1,304	10
Clerk	631	588	587	1
Messenger	456	423	421	2
Election Commission	360	341	341	—
Purchasing	364	410	408	2
Technical Services	2,128	2,103	2,097	6
Human Resources	865	863	862	1
Total general government	11,339	11,211	11,187	24
Public safety:				
Police	31,830	31,308	31,272	36
Fire	29,230	29,387	29,373	14
Code Inspection		1,178	1,176	2
Communications	2,216	2,186	2,180	6
Emergency Management	52	44	44	—
Total public safety	63,328	64,103	64,045	58

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

Year ended June 30, 2003

(Amounts expressed in thousands)

General Fund

Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual – Budgetary Basis

	Budget		Actual	Variance with final budget positive (negative)
	Original	Final		
Health and human services:				
Health	\$ 3,531	2,310	2,304	6
Elder Affairs	729	716	697	19
Human Rights	183	144	144	—
Veteran's Services	566	513	513	—
Total health and human services	5,009	3,683	3,658	25
Education – Public Schools	186,521	181,012	181,006	6
Libraries:				
Public library	4,172	3,944	3,944	—
Regional library	196	149	149	—
Total libraries	4,368	4,093	4,093	—
Public works:				
General operations	10,369	10,333	10,290	43
Snow and ice removal	1,171	1,701	4,275	(2,574)
Street lighting	2,387	2,387	2,374	13
Union Station	440	660	660	—
Total public works	14,367	15,081	17,599	(2,518)
Culture and recreation:				
Parks and Cemetery	3,494	3,566	3,562	4
Civic Center	211	217	217	—
Auditorium	116	105	100	5
Total culture and recreation	3,821	3,888	3,879	9
Intergovernmental	2,332	2,077	2,424	(347)
Debt service:				
Principal	22,954	23,014	23,014	—
Interest	22,127	21,957	21,957	—
Total debt service	45,081	44,971	44,971	—
Fringe benefits:				
Retirement	9,477	10,451	10,451	—
Workers' and unemployment comp.	1,280	1,872	1,712	160
Insurance	42,079	41,802	41,802	—
Total fringe benefits	52,836	54,125	53,965	160

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

Year ended June 30, 2003

(Amounts expressed in thousands)

General Fund

Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual – Budgetary Basis

	Budget		Actual	Variance with final budget positive (negative)
	Original	Final		
Contingency	\$ 847	3,152	—	3,152
Total expenditures	389,849	387,396	386,827	569
Excess (deficiency) of				
expenditures over				
revenues	(1,558)	965	3,815	2,850
Other financing sources (uses):				
Transfers in	1,258	5,228	5,228	—
Transfers out	(2,928)	(9,402)	(9,402)	—
Total other financing sources (uses)	(1,670)	(4,174)	(4,174)	—
Net changes in fund balances	(3,228)	(3,209)	(359)	2,850
Budgetary fund balance – beginning	9,584	9,584	9,584	—
Budgetary fund balance – ending	\$ <u>6,356</u>	<u>6,375</u>	<u>9,225</u>	<u>2,850</u>

See accompanying notes to schedule of revenues, expenditures, and changes in fund balances – budget and actual – budgetary basis.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

General Fund

Notes to Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual – Budgetary Basis

June 30, 2003

(Amounts expressed in thousands)

Budgetary Basis of Accounting

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the City adopts an annual budget for all general fund functions as well as for those enterprise funds for which the provisions of Chapter 44, Section 53F 1/2 have been adopted.

All portions of the annual budget, except for that of public schools, are prepared under the direction of the City Manager. The School Department budget is prepared under the direction of the Superintendent. The budget must be approved by the City Council, which may reduce or reject any item in the budget but may not increase or add items without the recommendation of the City Manager. The level of expenditure may not legally exceed appropriations for each department or undertaking in the following categories:

- Salaries and wages
- Ordinary maintenance
- Capital outlays

Once adopted, budgets within the above categories may not be amended by management without seeking City Council approval.

In fiscal 2003, the original general fund budget was decreased by transfers totaling \$4,174.

The City's annual budget is prepared on a basis other than GAAP. The "actual" results columns of the Statements of Revenues and Expenditures – Budgetary Basis are presented on a "budgetary basis" to provide a meaningful comparison with the budgets.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information

General Fund

Notes to Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual – Budgetary Basis

June 30, 2003

(Amounts expressed in thousands)

The following reconciliation summarizes the differences between budgetary and GAAP-basis accounting principles for the year ended June 30, 2003:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing uses</u>	<u>Excess revenue and other sources (expenditures and uses)</u>
General fund:				
As reported on a budgetary basis	\$ 390,642	386,827	(4,174)	(359)
Adjustment of revenues to a modified basis	45	—	—	45
Adjustment of expenditures to a modified basis	—	(861)	—	861
As reported on a GAAP basis	<u>\$ 390,687</u>	<u>385,966</u>	<u>(4,174)</u>	<u>547</u>

The major differences between the budgetary basis and the GAAP basis are:

- Revenues are recorded when cash is received (budgetary), as opposed to when susceptible to accrual (GAAP).
- Claims are recorded as expenditures when paid (budgetary), as opposed to a liability when incurred (GAAP).

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information — Schedules of Funding Progress and Contributions from Employers

June 30, 2003

(Amounts expressed in thousands)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/03	\$ 554,190	715,856	161,666	77.42%	\$ 142,803	113.21%
1/1/02	620,814	671,877	51,063	92.40%	148,765	34.32%
1/1/01	630,715	628,681	(2,034)	100.32%	136,001	(1.49)%
1/1/00	614,895	598,179	(16,716)	102.79%	130,377	(12.82)%
1/1/99	529,999	538,803	8,804	98.37%	115,742	7.61%
1/1/98	274,085	489,843	215,758	55.95%	114,507	188.42%

Schedule of Contributions from Employers

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2002	\$ 12,957	100%
2001	9,480	100%
2000	8,280	100%
1999	8,189	100%
1998	241,214	100%
1997	24,307	100%

Notes to Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuation as of January 1, 2003 as follows:

Actuarial cost method	Entry age normal cost
Amortization method	Approximate level percent of payroll
Remaining amortization period	25 years
Asset valuation method	3-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.0%
Cost-of-living adjustments	3.0% of first \$12 of retirement income

CITY OF WORCESTER, MASSACHUSETTS

Nonmajor Governmental Funds

June 30, 2003

SPECIAL REVENUE

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

WORCESTER'S CENTRUM CENTRE – accounts for the operations of the City's civic center.

SCHOOL LUNCH – accounts for the operations of the public school lunch program.

POLICE AUXILIARY – accounts for police off-duty details.

OFF STREET PARKING – accounts for the operation of the City's off-street parking lots.

CITY REVOLVING – accounts for City activities that are allowed, by an act of the State legislature, to use program revenues for operating expenditures.

SCHOOL REVOLVING – accounts for school activities that are allowed, by an act of the State legislature, to use program revenues for operating expenditures.

RECEIPTS RESERVED – accounts for revenues reserved for appropriation that have been segregated by law or administrative action.

COMMUNITY DEVELOPMENT – accounts for grants received from the U.S. Department of Housing and Urban Development.

JOB TRAINING PARTNERSHIP ACT – accounts for revenue received from the U.S. Department of Labor to assist individuals become productive members of the labor force.

SCHOOL GRANTS – accounts for school programs funded by intergovernmental revenue.

CITY GRANTS – accounts for various grants received from the Federal and State governments for programs administered by City departments.

CAPITAL PROJECTS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

CENTRUM CONSTRUCTION – accounts for improvements to the City's civic center.

STREET AND SIDEWALK – accounts for the construction and improvement of streets and sidewalks.

REHABILITATION OF PUBLIC BUILDINGS – accounts for improvements to City owned buildings.

CAPITAL EQUIPMENT – accounts for the acquisition of equipment.

SCHOOL CONSTRUCTION – accounts for the construction and rehabilitation of school buildings.

MEDICAL CENTER – accounts for the acquisition and development of the Medical Center project site.

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Nonmajor Governmental Funds

June 30, 2003

PARKS IMPROVEMENTS – accounts for grants and bond proceeds used for parks improvements.

OTHER – accounts for various small construction projects.

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's program.

HOPE CEMETERY – accounts for funds used for the perpetual care of the municipal cemetery.

HEALTH AND CODE DEPARTMENT – accounts for funds used for public health purposes.

LIBRARIES – accounts for funds held in trust for the City's public libraries.

SCHOOLS – accounts for funds held in trust to provide scholarships for qualified students.

PARKS – accounts for funds held in trust to improve the City's parks.

POLICE – accounts for funds held in trust to beautify the landscape at the police headquarters building.

PUBLIC WORKS – accounts for funds held in trust to provide street lighting.

MEMORIAL – accounts for funds held in trust to maintain various monuments and fountains.

OTHER – accounts for various trusts.

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CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2003

(Amounts expressed in thousands)

	Special Revenue Funds				
	Worcester's Centrum Centre	School Lunch	Police Auxiliary	Off-Street Parking	City Revolving
Assets					
Cash and cash equivalents	\$ 447	1,495	114	465	1,934
Investments	—	—	—	—	—
Due from other governments	—	—	—	—	—
Total assets	<u>\$ 447</u>	<u>1,495</u>	<u>114</u>	<u>465</u>	<u>1,934</u>
Liabilities and Fund Balances (Deficits)					
Liabilities:					
Accounts payable	\$ —	404	99	67	1
Temporary loans	—	—	—	—	—
Total liabilities	<u>—</u>	<u>404</u>	<u>99</u>	<u>67</u>	<u>1</u>
Fund balances (deficits):					
Reserved for:					
Encumbrances and continuing appropriations	150	283	—	398	63
Nonexpendable permanent funds	—	—	—	—	—
Unreserved	<u>297</u>	<u>808</u>	<u>15</u>	<u>—</u>	<u>1,870</u>
Total fund balances (deficits)	<u>447</u>	<u>1,091</u>	<u>15</u>	<u>398</u>	<u>1,933</u>
Total liabilities and fund balances (defiits)	<u>\$ 447</u>	<u>1,495</u>	<u>114</u>	<u>465</u>	<u>1,934</u>

Special Revenue Funds						
School Revolving	Receipts Reserved	Community Development	Job Training Partnership Act	School Grants	City Grants	Subtotal
1,283	5,245	313	1,635	9,435	7,610	29,976
—	—	—	—	—	194	194
1,283	5,245	313	1,635	9,435	7,804	30,170
47	—	83	91	630	386	1,808
—	—	—	—	—	—	—
47	—	83	91	630	386	1,808
26	—	—	493	2,142	4,988	8,543
—	—	—	—	—	—	—
1,210	5,245	230	1,051	6,663	2,430	19,819
1,236	5,245	230	1,544	8,805	7,418	28,362
1,283	5,245	313	1,635	9,435	7,804	30,170

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2003

(Amounts expressed in thousands)

Assets	Capital Projects Funds				
	Centrum Construction	Street and Sidewalk	Rehabilitation of Public Buildings	Capital Equipment	School Construction
Cash and cash equivalents	\$ 90	659	2,468	584	5,196
Investments	—	—	—	—	—
Due from other governments	—	668	—	—	—
Total assets	<u>\$ 90</u>	<u>1,327</u>	<u>2,468</u>	<u>584</u>	<u>5,196</u>
Liabilities and Fund Balances (Deficits)					
Liabilities:					
Accounts payable	\$ —	1	109	24	1,567
Temporary loans	—	2,545	5,560	2,985	5,255
Total liabilities	<u>—</u>	<u>2,546</u>	<u>5,669</u>	<u>3,009</u>	<u>6,822</u>
Fund balances (deficits):					
Reserved for:					
Encumbrances and continuing appropriations	—	—	—	—	—
Nonexpendable permanent funds	—	—	—	—	—
Unreserved	<u>90</u>	<u>(1,219)</u>	<u>(3,201)</u>	<u>(2,425)</u>	<u>(1,626)</u>
Total fund balances (deficits)	<u>90</u>	<u>(1,219)</u>	<u>(3,201)</u>	<u>(2,425)</u>	<u>(1,626)</u>
Total liabilities and fund balances (deficits)	<u>\$ 90</u>	<u>1,327</u>	<u>2,468</u>	<u>584</u>	<u>5,196</u>

Capital Projects Funds			
Medical Center	Parks Improvements	Other	Subtotal
—	1,126	1,207	11,330
—	—	—	—
—	—	—	668
—	1,126	1,207	11,998
—	—	—	1,701
5,965	825	1,150	24,285
5,965	825	1,150	25,986
—	—	—	—
—	—	—	—
(5,965)	301	57	(13,988)
(5,965)	301	57	(13,988)
—	1,126	1,207	11,998

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2003

(Amounts expressed in thousands)

Permanent Funds					
Assets	Hope Cemetery	Health and Code Dept.	Libraries	Schools	Parks
Cash and cash equivalents	\$ 169	134	783	64	58
Investments	1,827	1,860	4,363	546	232
Due from other governments	—	—	—	—	—
Total assets	<u>\$ 1,996</u>	<u>1,994</u>	<u>5,146</u>	<u>610</u>	<u>290</u>
Liabilities and Fund Balances (Deficits)					
Liabilities:					
Accounts payable	\$ —	—	6	—	—
Temporary loans	—	—	—	—	—
Total liabilities	<u>—</u>	<u>—</u>	<u>6</u>	<u>—</u>	<u>—</u>
Fund balances:					
Reserved for:					
Encumbrances and continuing appropriations	—	—	11	8	10
Nonexpendable permanent funds	1,976	1,994	5,109	585	249
Unreserved	<u>20</u>	<u>—</u>	<u>20</u>	<u>17</u>	<u>31</u>
Total fund balances	<u>1,996</u>	<u>1,994</u>	<u>5,140</u>	<u>610</u>	<u>290</u>
Total liabilities and fund balances	<u>\$ 1,996</u>	<u>1,994</u>	<u>5,146</u>	<u>610</u>	<u>290</u>

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Other	Subtotal	
	11	19	1	1,239	42,545
5	112	158	6	9,109	9,109
—	—	—	—	—	862
5	123	177	7	10,348	52,516
—	1	—	—	7	3,516
—	—	—	—	—	24,285
—	1	—	—	7	27,801
—	2	—	—	31	8,574
5	120	169	7	10,214	10,214
—	—	8	—	96	5,927
5	122	177	7	10,341	24,715
5	123	177	7	10,348	52,516

CITY OF WORCESTER, MASSACHUSETTS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

June 30, 2003

(Amounts expressed in thousands)

		Special Revenue Funds				
		Worcester's Centrum Centre	School Lunch	Police Auxiliary	Off-Street Parking	City Revolving
Revenues:						
Intergovernmental	\$	—	6,566	—	—	—
Investment earnings		—	—	—	—	—
Charges for services		652	1,608	5,510	—	359
Donations		—	—	—	—	—
Contributions to permanent funds		—	—	—	—	—
Miscellaneous		—	—	—	—	—
Total revenues		<u>652</u>	<u>8,174</u>	<u>5,510</u>	<u>—</u>	<u>359</u>
Expenditures:						
Current:		—	—			
General government		—	—	—	—	151
Public safety		—	—	5,498	—	—
Health and human services		—	—	—	—	—
Education		—	7,985	—	—	—
Libraries		—	—	—	917	48
Public works		—	—	—	—	—
Culture and recreation		434	—	—	—	—
Community development		—	—	—	—	—
Redevelopment		—	—	—	—	—
Debt service:						
Principal		425	—	—	361	160
Interest		254	—	—	127	134
Total expenditures		<u>1,113</u>	<u>7,985</u>	<u>5,498</u>	<u>1,405</u>	<u>493</u>
Excess (deficiency) of revenues over expenditures		<u>(461)</u>	<u>189</u>	<u>12</u>	<u>(1,405)</u>	<u>(134)</u>
Other financing sources (uses):						
Transfers in		—	—	—	1,178	—
Transfers out		—	—	—	—	—
Proceeds from bond issues						
Payments to refunded bond escrow agent		—	—	—	—	—
Total other financing sources (uses)		<u>—</u>	<u>—</u>	<u>—</u>	<u>1,178</u>	<u>—</u>
Net change in fund balances		<u>(461)</u>	<u>189</u>	<u>12</u>	<u>(227)</u>	<u>(134)</u>
Fund balances – beginning		<u>908</u>	<u>902</u>	<u>3</u>	<u>625</u>	<u>2,067</u>
Fund balances – ending	\$	<u><u>447</u></u>	<u><u>1,091</u></u>	<u><u>15</u></u>	<u><u>398</u></u>	<u><u>1,933</u></u>

Special Revenue Funds						
School Revolving	Receipts Reserved	Community Development	Job Training Partnership Act	School Grants	City Grants	Subtotal
—	1,657	5,560	4,554	39,709	13,395	71,441
—	—	—	—	—	11	11
1,048	3,461	75	3	363	952	14,031
—	—	—	31	1,264	1,388	2,683
—	—	—	—	—	—	—
—	953	—	—	—	—	953
1,048	6,071	5,635	4,588	41,336	15,746	89,119
—	—	—	—	—	1,094	1,245
—	—	—	—	—	2,973	8,471
—	—	—	4,139	—	9,039	13,178
972	—	—	—	38,571	—	47,528
—	—	—	—	—	1,150	2,115
—	—	—	—	—	904	904
—	—	—	—	—	455	889
—	—	4,001	—	—	—	4,001
—	—	—	—	—	—	—
—	—	486	—	—	120	1,552
—	—	248	—	—	718	1,481
972	—	4,735	4,139	38,571	16,453	81,364
76	6,071	900	449	2,765	(707)	7,755
—	—	—	54	—	731	1,963
—	(5,417)	(791)	—	—	—	(6,208)
—	—	—	—	—	—	—
—	(5,417)	(791)	54	—	731	(4,245)
76	654	109	503	2,765	24	3,510
1,160	4,591	121	1,041	6,040	7,394	24,852
1,236	5,245	230	1,544	8,805	7,418	28,362

CITY OF WORCESTER, MASSACHUSETTS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

June 30, 2003

(Amounts expressed in thousands)

	Capital Projects Funds				
	Centrum Construction	Street and Sidewalk	Rehabilitation of Public Buildings	Capital Equipment	School Construction
Revenues:					
Intergovernmental	\$ —	1,962	—	—	—
Investment earnings	—	—	—	—	—
Charges for services	—	—	—	—	—
Donations	—	—	—	—	—
Contributions to permanent funds	—	—	—	—	—
Miscellaneous	—	—	—	—	—
Total revenues	—	1,962	—	—	—
Expenditures:					
Current:					
General government	—	—	109	326	—
Public safety	—	—	1,236	1,327	—
Health and human services	—	—	102	14	—
Education	—	—	1,139	90	9,375
Libraries	—	—	38	403	—
Public works	—	3,634	—	605	—
Culture and recreation	610	—	—	—	—
Community development	—	—	—	—	—
Redevelopment	—	—	—	—	—
Debt service:					
Principal	—	—	—	—	—
Interest	—	—	—	—	—
Total expenditures	610	3,634	2,624	2,765	9,375
Excess (deficiency) of revenues over expenditures	(610)	(1,672)	(2,624)	(2,765)	(9,375)
Other financing sources (uses):					
Transfers in	487	—	—	276	490
Transfers out	—	—	(1,264)	—	—
Proceeds from bond issues	1,105	905	2,601	2,600	13,264
Payment to refunded bond escrow agent	(1,105)	—	(61)	—	(3,564)
Total other financing sources (uses)	487	905	1,276	2,876	10,190
Net change in fund balances	(123)	(767)	(1,348)	111	815
Fund balances – beginning	213	(452)	(1,853)	(2,536)	(2,441)
Fund balances – ending	\$ 90	(1,219)	(3,201)	(2,425)	(1,626)

Capital Projects Funds			
Medical Center	Parks Improvements	Other	Subtotal
—	311	—	2,273
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	311	—	2,273
—	—	—	—
—	—	—	435
—	—	—	2,563
—	—	—	116
—	—	—	10,604
—	—	—	441
—	—	1,278	5,517
—	667	—	1,277
—	—	—	—
4,238	—	—	4,238
—	—	—	—
—	—	—	—
4,238	667	1,278	25,191
(4,238)	(356)	(1,278)	(22,918)
335	84	240	1,912
—	—	—	(1,264)
9,000	920	17	30,412
—	—	(17)	(4,747)
9,335	1,004	240	26,313
5,097	648	(1,038)	3,395
(11,062)	(347)	1,095	(17,383)
(5,965)	301	57	(13,988)

CITY OF WORCESTER, MASSACHUSETTS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

June 30, 2003

(Amounts expressed in thousands)

Permanent Funds					
	Hope Cemetery	Health and Code Dept.	Libraries	Schools	Parks
Revenues:					
Intergovernmental	\$ —	—	—	—	—
Investment earnings	105	108	136	31	16
Charges for services	—	—	—	—	—
Donations	—	—	—	—	—
Contributions to permanent funds	27	—	—	5	—
Miscellaneous	—	—	—	—	—
Total revenues	132	108	136	36	16
Expenditures:					
Current:					
General government	—	—	—	—	—
Public safety	—	—	—	—	—
Health and human services	—	49	—	—	—
Education	—	—	—	12	—
Libraries	—	—	96	—	—
Public works	—	—	—	—	—
Culture and recreation	—	—	—	—	—
Community development	—	—	—	—	—
Redevelopment	—	—	—	—	—
Debt service:					
Principal	—	—	—	—	—
Interest	—	—	—	—	—
Total expenditures	—	49	96	12	—
Excess (deficiency) of revenues over expenditures	132	59	40	24	16
Other financing sources (uses):					
Transfers in	—	—	—	—	—
Transfers out	—	—	—	—	—
Proceeds from bond issues	—	—	—	—	—
Payments to refunded bond escrow agent	—	—	—	—	—
Total other financing sources (uses)	—	—	—	—	—
Net change in fund balances	132	59	40	24	16
Fund balances – beginning	1,864	1,935	5,100	586	274
Fund balances – ending	\$ 1,996	1,994	5,140	610	290

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Other	Subtotal	
—	—	—	—	—	73,714
—	5	9	—	410	421
—	—	—	—	—	14,031
—	—	—	—	—	2,683
—	33	—	—	65	65
—	—	—	—	—	953
—	38	9	—	475	91,867
—	—	—	—	—	1,680
—	—	—	—	—	11,034
—	—	—	—	49	13,343
—	—	—	—	12	58,144
—	—	—	—	96	2,652
—	7	—	—	7	6,428
—	—	—	—	—	2,166
—	—	—	—	—	4,001
—	—	—	—	—	4,238
—	—	—	—	—	1,552
—	—	—	—	—	1,481
—	7	—	—	164	106,719
—	31	9	—	311	(14,852)
—	—	—	—	—	3,875
—	—	—	(631)	(631)	(8,103)
—	—	—	—	—	30,412
—	—	—	—	—	(4,747)
—	—	—	(631)	(631)	21,437
—	31	9	(631)	(320)	6,585
5	91	168	638	10,661	18,130
5	122	177	7	10,341	24,715

CITY OF WORCESTER, MASSACHUSETTS

Airport Fund

Schedule of Revenues, Expenditures and
Changes in Fund Balances –
Budget and Actual – Budgetary Basis

Year Ended June 30, 2003

(Amounts expressed in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Fees	\$ 594	594	251	(343)
Facility rental	631	631	472	(159)
Intergovernmental	1,646	1,646	1,329	(317)
Miscellaneous	85	85	278	193
Total revenues	<u>2,956</u>	<u>2,956</u>	<u>2,330</u>	<u>(626)</u>
Expenditures:				
Salaries and benefits	1,752	1,752	1,239	513
Ordinary maintenance	1,168	1,167	1,129	38
Capital outlay		1		1
Debt service	575	575	571	4
Total expenditures	<u>3,495</u>	<u>3,495</u>	<u>2,939</u>	<u>556</u>
(Deficiency) of revenues over expenditures	<u>(539)</u>	<u>(539)</u>	<u>(609)</u>	<u>(70)</u>
Other financing sources (uses):				
Transfers in	620	688	688	—
Transfers (out)	(81)	(81)	(81)	—
Total other financing sources	<u>539</u>	<u>607</u>	<u>607</u>	<u>—</u>
Net changes in fund balances	<u>—</u>	<u>68</u>	<u>(2)</u>	<u>(70)</u>
Budgetary fund balance - beginning	<u>2</u>	<u>2</u>	<u>2</u>	<u>—</u>
Budgetary fund balance - ending	<u>\$ 2</u>	<u>70</u>	<u>—</u>	<u>(70)</u>

CITY OF WORCESTER, MASSACHUSETTS

Golf Course Fund

Schedule of Revenues, Expenditures and
Changes in Fund Balances (Deficits) –
Budget and Actual – Budgetary Basis

Year Ended June 30, 2003

(Amounts expressed in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Negative)</u>
Revenues:				
Fees	\$ 1,309	1,309	1,040	(269)
Miscellaneous	11	11	10	(1)
Total revenues	<u>1,320</u>	<u>1,320</u>	<u>1,050</u>	<u>(270)</u>
Expenditures:				
Salaries and benefits	308	308	289	19
Ordinary maintenance	655	655	625	30
Capital	90	90	14	76
Debt service	173	173	121	52
Indirect costs	71	71	71	—
Total expenditures	<u>1,297</u>	<u>1,297</u>	<u>1,120</u>	<u>177</u>
Excess (deficiency) of revenues over expenditures	23	23	(70)	(93)
Other financing (uses):				
Transfers (out)	(23)	(23)	(23)	—
Net changes in fund balances	<u>—</u>	<u>—</u>	<u>(93)</u>	<u>(93)</u>
Budgetary fund balance - beginning	<u>44</u>	<u>44</u>	<u>44</u>	<u>—</u>
Budgetary fund balance (deficit) - ending	<u>\$ 44</u>	<u>44</u>	<u>(49)</u>	<u>(93)</u>

CITY OF WORCESTER, MASSACHUSETTS

Sewer Fund

Schedule of Revenues, Expenditures and
Changes in Fund Balances –
Budget and Actual – Budgetary Basis

Year Ended June 30, 2003

(Amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 14,916	14,916	14,851	(65)
Miscellaneous	474	474	247	(227)
Total revenues	15,390	15,390	15,098	(292)
Expenditures:				
Salaries and benefits	3,868	3,858	3,650	208
Ordinary maintenance	4,588	4,588	4,510	78
Debt service	3,389	3,389	3,366	23
Indirect costs	3,071	3,081	3,081	—
Total expenditures	14,916	14,916	14,607	309
Excess of revenues over expenditures	474	474	491	17
Other financing (uses):				
Transfer (out)	(474)	(474)	(474)	—
Net changes in fund balances	—	—	17	17
Budgetary fund balance - beginning	3	3	3	—
Budgetary fund balance - ending	\$ 3	3	20	17

CITY OF WORCESTER, MASSACHUSETTS

Water Fund

Schedule of Revenues, Expenditures and
Changes in Fund Balances (Deficits) –
Budget and Actual – Budgetary Basis

Year Ended June 30, 2003

(Amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 21,311	21,311	21,435	124
Fees	377	377	371	(6)
Miscellaneous	753	753	1,270	517
Total revenues	22,441	22,441	23,076	635
Expenditures:				
Salaries and benefits	7,697	7,687	7,510	177
Ordinary maintenance	2,429	2,430	2,416	14
Debt service	9,692	9,692	9,672	20
Indirect costs	1,943	1,953	1,953	—
Total expenditures	21,761	21,762	21,551	211
Excess of revenues over expenditures	680	679	1,525	846
Other financing sources (uses):				
Transfer in	—	1	1	—
Transfers (out)	(680)	(680)	(680)	—
Total other financing (uses)	(680)	(679)	(679)	—
Net changes in fund balances	—	—	846	846
Budgetary fund balance (deficit) - beginning	(161)	(161)	(161)	—
Budgetary fund balance (deficit) - ending	\$ (161)	(161)	685	846

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CITY OF WORCESTER, MASSACHUSETTS**Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule by Source**

June 30, 2003 and 2002

(Amounts expressed in thousands)

	2003	2002
Governmental funds capital assets, by type:		
Land	\$ 11,778	11,778
Buildings	223,626	228,131
Improvements other than buildings	7,599	6,737
Rolling equipment	7,727	7,814
Equipment and other	6,767	6,780
Infrastructure	59,487	60,346
Construction in progress	34,019	24,006
Total governmental funds capital assets	\$ 351,003	345,592
Investments in governmental funds capital assets by source:		
General fund	\$ 1,237	1,194
Special revenue fund	26,726	25,485
Capital projects funds	321,025	316,677
Donations	2,015	2,236
Total governmental funds capital assets	\$ 351,003	345,592

CITY OF WORCESTER, MASSACHUSETTS

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity

June 30, 2003

(Amounts expressed in thousands)

Function and Activity	Land	Buildings	Improvements Other Than Buildings
General government:			
Manager	\$ 2,985	—	—
Assessor	—	—	—
Auditor	—	—	—
Clerk	—	—	—
Information Services	—	—	—
Election Commission	—	—	—
Law	—	—	—
Human Resources	—	—	—
Purchasing	—	—	—
Treasurer	—	—	—
Total general government	2,985	—	—
Public safety:			
Police	514	3,070	—
Fire	209	8,096	—
Code Inspection	210	374	—
Communications	—	—	—
Total public safety	933	11,540	—
Health and human services:			
Employment and Training	—	—	—
Health	—	—	—
Elder Affairs	—	3,425	—
Total health and human services	—	3,425	—
Public works	1,889	2,642	309
Education	3,522	128,311	—
Library	305	20,241	—
Culture and recreation:			
Auditorium	150	2,102	—
Centrum Centre	263	49,409	—
Hope Cemetery	290	1,088	—
Parks	1,441	4,868	7,290
Total culture and recreation	2,144	57,467	7,290
Total governmental funds capital assets	\$ 11,778	223,626	7,599

Rolling Equipment	Equipment and Other	Infrastructure	Construction in Progress	Total
—	17	—	—	3,002
6	3	—	—	9
—	3	—	—	3
—	2	—	—	2
—	169	—	—	169
—	20	—	—	20
—	56	—	—	56
—	4	—	—	4
—	16	—	—	16
—	17	—	—	17
6	307	—	—	3,298
1,551	463	—	552	6,150
2,761	365	—	4	11,435
58	35	—	—	677
—	906	—	—	906
4,370	1,769	—	556	19,168
—	41	—	—	41
70	122	—	—	192
—	39	—	—	3,464
70	202	—	—	3,697
2,270	163	59,487	1,177	67,937
360	2,026	—	31,562	165,781
2	1,618	—	—	22,166
—	—	—	—	2,252
—	347	—	—	50,019
153	39	—	—	1,570
496	296	—	724	15,115
649	682	—	724	68,956
7,727	6,767	59,487	34,019	351,003

CITY OF WORCESTER, MASSACHUSETTS

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity

Year ended June 30, 2003

(Amounts expressed in thousands)

Function and Activity	Governmental Funds Capital Assets July 1, 2002	Additions	Deductions	Governmental Funds Capital Assets June 30, 2003
General government:				
Manager	\$ 3,132	—	130	3,002
Assessor	17	—	8	9
Auditor	4	—	1	3
Clerk	4	—	2	2
Information Services	218	—	49	169
Election Commission	51	—	31	20
Law	58	6	8	56
Human Resources	7	—	3	4
Purchasing	—	18	2	16
Treasurer	14	7	4	17
Total general government	3,505	31	238	3,298
Public safety:				
Police	5,679	1,303	832	6,150
Fire	11,003	1,155	723	11,435
Code Inspection	—	748	71	677
Communications	734	437	265	906
Total public safety	17,416	3,643	1,891	19,168
Health and human services:				
Employment and Training	51	—	10	41
Health	989	26	823	192
Elder Affairs	3,532	143	211	3,464
Total health and human services	4,572	169	1,044	3,697
Public works	66,942	6,633	5,638	67,937
Education	161,037	11,240	6,496	165,781
Libraries	22,214	702	750	22,166
Culture and recreation:				
Auditorium	2,387	—	135	2,252
Centrum Centre	51,420	610	2,011	50,019
Hope Cemetery	1,673	—	103	1,570
Parks	14,426	1,431	742	15,115
Total culture and recreation	69,906	2,041	2,991	68,956
Total governmental funds capital assets	\$ 345,592	24,459	19,048	351,003

STATISTICAL SECTION

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CITY OF WORCESTER, MASSACHUSETTS
General Fund Expenditures - GAAP Basis
For the Year Ended June 30, 2003

Graph 1

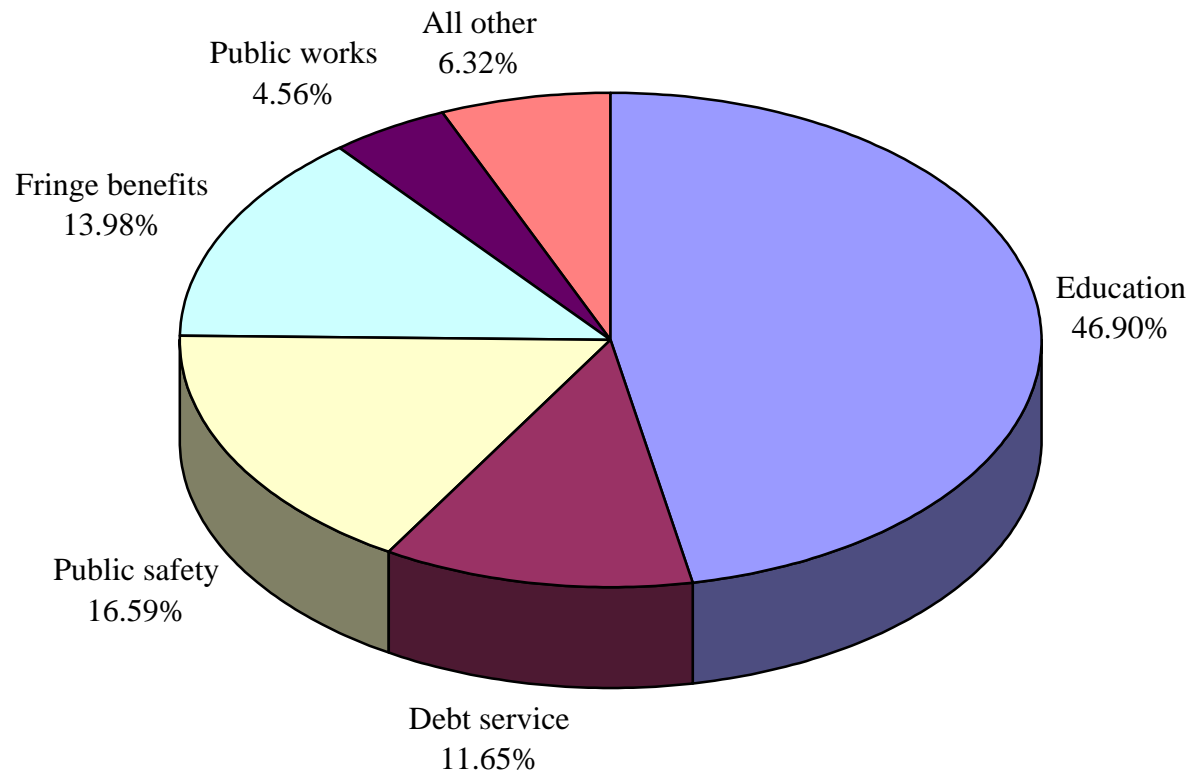


Table 1

CITY OF WORCESTER, MASSACHUSETTS

General Fund Expenditures – GAAP Basis
Last Ten Fiscal Years

(Amounts expressed in thousands)

		2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
General government	\$	10,326	14,726	12,990	12,760	11,015	10,504	11,362	10,690	9,185	8,059
Public safety		64,045	62,954	58,025	56,609	58,069	47,440	47,250	44,800	41,721	35,751
Health and human services		3,658	5,595	5,426	5,267	4,886	4,573	4,177	3,302	3,610	3,149
Education		181,006	179,401	172,357	165,579	156,265	149,893	139,948	128,682	115,457	103,363
Libraries		4,093	4,183	3,717	3,661	3,755	4,030	4,155	4,045	3,880	3,352
Public works		17,598	14,848	17,165	13,183	13,639	12,887	13,272	15,910	11,504	12,535
Culture and recreation		3,880	4,238	4,111	3,694	3,397	3,514	3,339	2,794	1,906	1,281
Fringe benefits (1)		53,965	43,286	39,003	38,993	49,734	47,220	43,536	43,977	44,544	45,145
Intergovernmental		2,424	2,276	2,132	3,041	1,971	2,043	1,969	2,043	2,024	1,704
Debt service (1)		44,971	44,501	44,488	41,474	22,273	21,223	18,801	16,158	13,727	14,125
Totals	\$	<u>385,966</u>	<u>376,008</u>	<u>359,414</u>	<u>344,261</u>	<u>325,004</u>	<u>303,327</u>	<u>287,809</u>	<u>272,401</u>	<u>247,558</u>	<u>228,464</u>

(1) In fiscal year 1999 the City issued \$220,979 in Pension Obligation Bonds. The expenditures associated with this debt are shown in the debt service category and decrease the fringe benefits expenditures.

CITY OF WORCESTER, MASSACHUSETTS
General Fund Revenues - GAAP Basis
For the Year Ended June 30, 2003

Graph 2

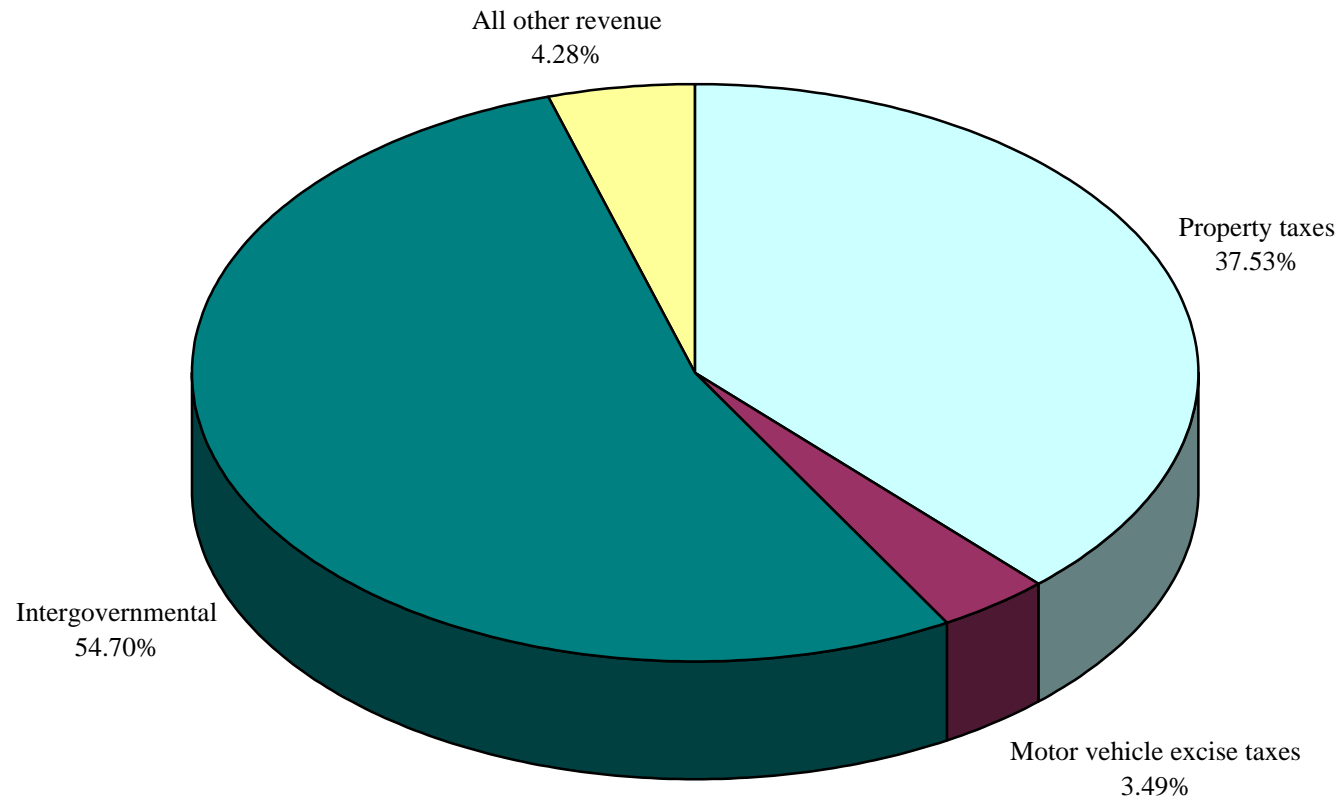


Table 2

CITY OF WORCESTER, MASSACHUSETTS

General Fund Revenues – GAAP Basis
Last Ten Fiscal Years

(Amounts expressed in thousands)

		2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Property taxes	\$	148,322	140,712	133,885	130,798	126,888	121,189	116,559	112,279	111,602	103,446
Motor vehicle excise taxes		14,085	13,091	12,460	11,134	9,961	10,521	8,875	8,388	9,727	6,985
Other taxes and in-lieu payments		2,215	2,411	2,338	1,867	2,300	1,661	1,672	1,203	2,163	2,030
Interest and penalties on taxes		2,702	1,977	1,938	2,114	1,845	1,848	1,425	1,839	2,465	2,029
Licenses and permits		5,266	4,468	4,577	4,401	4,329	4,048	3,859	3,855	3,188	3,646
Intergovernmental		210,289	205,068	202,269	189,378	173,108	160,326	146,439	131,165	119,507	101,713
Charges for services		3,613	2,477	2,355	2,373	2,273	2,276	2,310	2,247	2,242	1,325
Fines and forfeitures		2,636	2,122	2,024	2,195	2,378	2,401	2,628	2,378	2,408	2,671
Investment earnings		664	1,321	2,921	2,263	3,056	2,515	1,672	2,720	1,522	567
Miscellaneous		895	1,257	2,218	1,159	945	799	1,344	2,849	2,406	2,973
Totals	\$	<u>390,687</u>	<u>374,904</u>	<u>366,985</u>	<u>347,682</u>	<u>327,083</u>	<u>307,584</u>	<u>286,783</u>	<u>268,923</u>	<u>257,230</u>	<u>227,385</u>

Graph 3

CITY OF WORCESTER, MASSACHUSETTS
Percentage of Current Property Taxes Collected - Budgetary Basis
Last Ten Fiscal Years

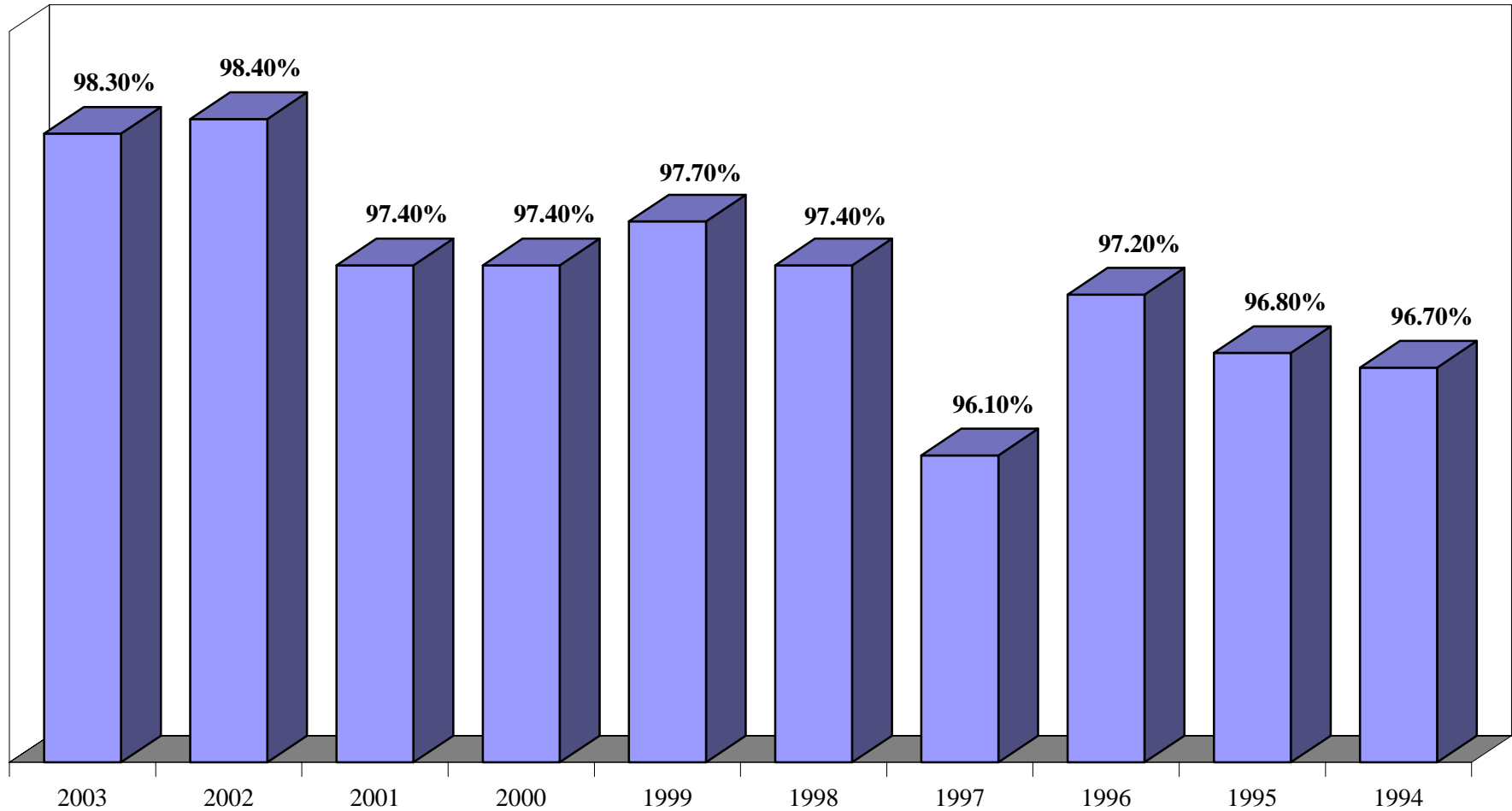


Table 3

CITY OF WORCESTER, MASSACHUSETTS
Property Tax Levies and Collections – Budgetary Basis
Last Ten Fiscal Years
(Amounts expressed in thousands)

Fiscal year		Total Tax Levy	(1) Net Tax Levy	(2) Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	(2) Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Net Tax Levy
2003	\$	149,328	146,579	144,143	98.3%	\$ 1,735	145,878	99.5%	\$ 3,681	2.5%
2002		141,738	138,507	136,322	98.4	1,420	137,742	99.4	3,566	2.6
2001		135,424	133,476	129,998	97.4	1,120	131,118	98.2	3,759	2.8
2000		131,860	129,628	126,292	97.4	1,879	128,171	98.9	5,030	3.9
1999		129,638	125,499	122,660	97.7	756	123,416	98.3	4,483	3.6
1998		124,744	120,870	117,733	97.4	1,931	119,664	99.0	4,424	3.7
1997		120,481	118,136	113,578	96.1	1,240	114,818	97.2	6,454	5.5
1996		114,525	110,933	107,865	97.2	1,606	109,471	98.7	3,891	3.5
1995		112,044	108,460	104,944	96.8	2,624	107,568	99.2	3,767	3.5
1994		107,113	103,039	99,612	96.7	1,515	101,127	98.1	4,426	4.3

(1) Adjusted for abatements and transfers to tax title.

(2) Does not include tax title collections

CITY OF WORCESTER, MASSACHUSETTS

Graph 4

Assessed Valuation
Last Ten Fiscal Years

(Amounts expressed in millions)

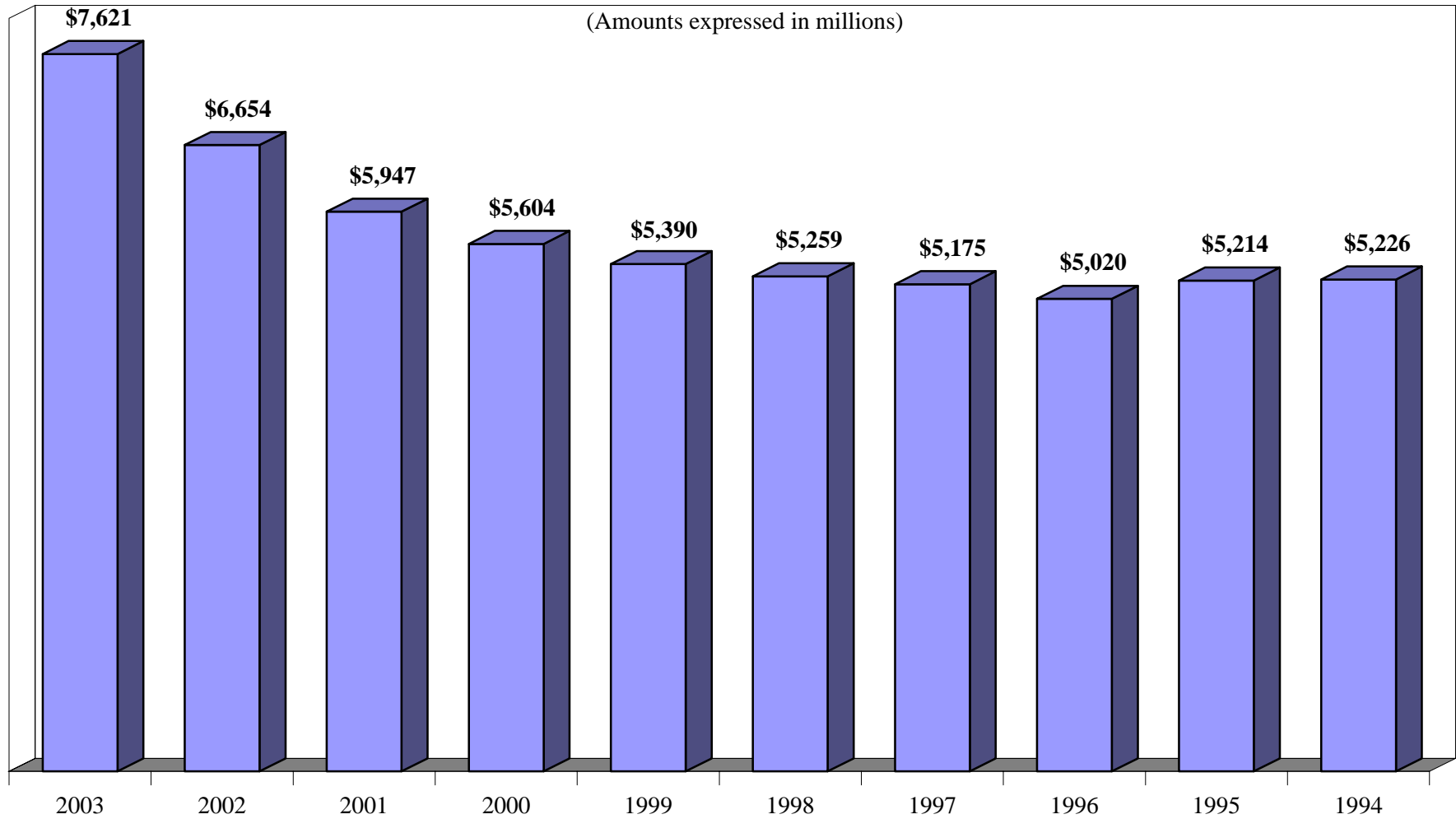


Table 4

CITY OF WORCESTER, MASSACHUSETTS

Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

(Amounts expressed in thousands)

Fiscal year	Assessed value			U.S. census population	Total assessed value per capita	State equalized value	Ratio of assessed to equalized value
	Real property	Personal property	Total				
2003	\$ 7,294,129	326,949	7,621,078	172,648	\$ 44,142	7,248,688	105.1%
2002	6,340,098	314,115	6,654,213	172,648	38,542	6,010,162	110.7
2001	5,643,444	303,520	5,946,964	172,648	34,446	6,010,162	98.9
2000	5,322,322	281,778	5,604,100	169,759	33,012	5,536,578	101.2
1999	5,106,597	282,949	5,389,546	169,759	31,748	5,536,578	97.3
1998	4,976,139	282,798	5,258,937	169,759	30,979	5,409,542	97.2
1997	4,798,042	276,494	5,074,536	169,759	29,893	5,409,542	93.8
1996	4,759,652	260,841	5,020,493	169,759	29,574	5,788,437	86.7
1995	4,957,964	255,715	5,213,679	169,759	30,712	5,788,427	90.1
1994	4,983,017	243,072	5,226,089	169,759	30,785	3,800,161	76.9

Table 5

CITY OF WORCESTER, MASSACHUSETTS

Property Tax Rates
Last Ten Fiscal Years

(Per \$1,000 of Assessed Value)

Fiscal Year	Residential	Open Space	Commercial	Industrial	Personal	Combined
2003	\$ 17.85	17.85	31.44	31.44	31.44	19.59
2002	17.85	17.85	31.46	31.46	31.46	21.27
2001	18.47	18.47	34.24	34.24	34.24	22.74
2000	18.47	18.47	36.34	36.34	36.34	23.52
1999	18.48	18.48	37.63	37.63	37.63	24.05
1998	18.06	18.06	37.63	37.63	37.63	23.72
1997	18.67	18.67	35.69	35.69	35.69	23.63
1996	17.41	17.41	35.93	35.93	35.93	22.80
1995	16.32	16.32	34.50	34.50	34.50	21.48
1994	15.57	15.57	33.36	33.36	33.36	20.48

Table 6

CITY OF WORCESTER, MASSACHUSETTS

Ratio of Net Bonded Debt to Assessed Value
and Net Bonded Debt Per Capita

Last Ten Fiscal Years

(Amounts expressed in thousands)

Fiscal Year	U.S. Census population		Assessed valuation	Gross bonded debt	Less self supporting debt	Net bonded debt	Ratio of net bonded debt to assessed value	Net bonded debt per capita (amounts expressed in whole dollars)
2003	172,648	\$	7,621,078	552,909	101,169	451,740	5.93%	\$ 2,616.54
2002	172,648		6,654,213	554,019	101,504	452,515	6.80	2,621.03
2001	172,648		5,946,964	554,623	97,438	457,185	7.69	2,648.08
2000	169,759		5,604,100	527,456	95,225	432,231	7.71	2,546.14
1999	169,759		5,389,546	495,379	91,845	403,534	7.49	2,377.10
1998	169,759		5,258,937	260,383	86,775	173,608	3.30	1,022.67
1997	169,759		5,074,535	223,186	76,567	146,619	2.89	863.69
1996	169,759		5,020,493	204,989	75,026	129,963	2.59	765.57
1995	169,759		5,213,679	159,235	46,182	113,053	2.17	665.96
1994	169,759		5,226,089	121,785	46,165	75,620	1.45	445.46

Table 7**CITY OF WORCESTER, MASSACHUSETTS**

Ratio of Annual Debt Service Expenditures for General
Bonded Debt to Total General Fund Expenditures

Last Ten Fiscal Years

(Amounts expressed in thousands)

Fiscal Year		Principal	Interest	Total Bonded Debt Service	Total General Fund Expenditures	Ratio of Bonded Debt Service to General Fund Expenditures
2003	\$	23,014	21,957	44,971	385,965	11.65%
2002		23,001	21,500	44,501	376,008	11.84
2001		21,459	23,029	44,488	359,414	12.38
2000		18,508	22,966	41,474	344,261	12.05
1999		12,759	7,539	20,298	325,004	6.25
1998		12,220	6,373	18,593	303,327	6.13
1997		11,702	5,351	17,053	290,816	5.86
1996		9,135	5,652	14,787	272,401	5.43
1995		8,660	4,768	13,428	247,558	5.42
1994		8,985	4,917	13,902	228,464	6.08

Table 8

CITY OF WORCESTER, MASSACHUSETTS

Property Value and Construction

Last Ten Fiscal Years

(Amounts expressed in thousands)

Fiscal Year	Construction			Property value			
	Commercial	Residential	Total	Commercial	Residential	Total taxable	Nontaxable
2003	\$ 76,010	87,125	163,135	1,708,997	5,912,081	7,621,078	2,110,469
2002	76,028	54,251	130,279	1,669,860	4,984,353	6,654,213	1,830,384
2001	80,478	38,087	118,565	1,611,705	4,335,259	5,946,964	1,689,279
2000	49,037	32,731	81,768	1,582,130	4,021,970	5,604,100	1,694,931
1999	38,168	11,113	49,281	1,566,928	3,822,618	5,389,546	1,661,179
1998	57,772	13,292	71,064	1,520,838	3,738,099	5,258,937	1,653,646
1997	65,052	12,159	77,211	1,480,246	3,594,289	5,074,535	1,699,565
1996	52,276	12,579	64,855	1,461,799	3,558,694	5,020,493	1,703,253
1995	59,955	16,274	76,229	1,478,645	3,735,034	5,213,679	1,676,061
1994	67,899	18,255	86,154	1,443,325	3,782,764	5,226,089	1,663,842

Table 9

CITY OF WORCESTER, MASSACHUSETTS

Computation of Legal Debt Margin

June 30, 2003

(Amounts expressed in thousands)

Equalized valuation – real estate and personal property (January 1, 2000)		\$	<u><u>7,248,688</u></u>
Debt limit – 2 1/2% of equalized valuation			181,217
Total bonded debt (including authorized and unissued of \$198,289)	\$	751,198	
Less bonded debt not included in computation of legal debt margin as defined by Massachusetts statutes		(466,992)	
Less bonded debt authorized but not yet issued which is outside the debt limit		<u>(113,831)</u>	<u>170,375</u>
Legal debt margin		\$	<u><u>10,842</u></u>

Table 10

CITY OF WORCESTER, MASSACHUSETTS

Principal Taxpayers

June 30, 2003

(Amounts expressed in thousands)

	Taxpayer	Type of business	Assessed valuation	Fiscal 2003 tax bill	Percentage of tax levy
1	Massachusetts Electric Co.	Electric utility	\$ 128,423	4,038	2.70%
2	Verizon	Telephone utility	57,335	1,803	1.21
3	St. Vincent Hospital LLC	Health care facilities	52,474	1,650	1.11
4	Allmerica Financial	Insurance/financial	50,517	1,588	1.06
5	Greendale Mall	Shopping mall	44,825	1,409	0.94
6	Worcester Common Outlets	Office/ Shopping mall	41,531	1,306	0.87
7	Commonwealth Gas Co.	Gas utility	41,134	1,294	0.87
8	Worcester TC LLC (B.A.S.F.)	Biotechnology research	40,652	1,278	0.86
9	ARE- (BioTech 1, 4, &5)	Biotechnology park	37,227	1,171	0.78
10	Liberty Properties Corp.	Industrial park	28,894	908	0.61
11	Saint-Gobain Abrasives, Inc.	Abrasives manufacturer	24,497	770	0.52
12	Charter Communication Inc.	Broadband cable services	20,489	644	0.43
13	Worcester Lincoln LLC (Lincoln Plaza)	Shopping mall	20,020	629	0.42
14	Sovereign Bank Worcester LLC	Bank/office	17,796	557	0.37
15	MOB Trust Hegarty, David et al (Fallon)	Health care facilities	17,237	542	0.36
16	Paul Revere Life Insurance Co.	Insurance	16,194	509	0.34
17	IPC Office Properties LLC (One Chestnut Place)	Real estate	14,032	441	0.30
18	New England Power Co.	Electric utility	14,152	437	0.29
19	SRP Real Estate Inc. (Perkins Farm Marketplace)	Real estate	12,760	401	0.27
20	Worcester Hospitality Assoc. (Crowne Plaza)	Hotel	11,165	351	0.24
	Totals		\$ 691,354	21,726	14.55%

CITY OF WORCESTER, MASSACHUSETTS

Table 11

Miscellaneous Statistics

June 30, 2003

Date of incorporation (as a city)	1848
Form of government	Council – Manager
Area	38.44 square miles
Population:	
	1900 118,421
	1910 145,986
	1920 179,754
	1930 196,837
	1940 193,402
	1950 203,486
	1960 186,587
	1970 176,572
	1980 161,799
	1990 169,759
	2000 172,648
Miles of streets	411
Miles of sidewalks	606
Number of streetlights	12,772
Water:	
Miles of main pipes	614
Fire hydrants	5,481
Reservoirs	10
Reservoir gallons of capacity (in thousands)	7,379,938
Sewers:	
Miles of sanitary sewers	387
Miles of combined sewers	65
Miles of surface sewers	358
Total	810
Fire protection:	
Number of stations	12
Number of firefighters	398
Police protection:	
Number of stations	2
Number of police officers	424
Education:	
Schools	52
Students	26,962
Teachers	2,402
Employees:	
Nonschool	1,800
School	3,905
Total	5,705

CITY OF WORCESTER, MASSACHUSETTS**Table 11**

Miscellaneous Statistics

June 30, 2003

Recreation and culture:	
Number of parks and playgrounds	53 with 1,722 acres
Number of libraries	3
Civic center	
Seating capacities:	
Center stage	14,639
End stage	14,751
Basketball	13,500
Hockey	12,239
Ice show	11,888
Arena football, open floor	12,330
Municipal parking garages:	
Capacity – cars	
Pearl Elm	800
Federal Plaza	511
Municipal cemeteries	1
Construction permits:	
Permits issued	2,534
Permit value (in thousands)	\$ 209,557